UNITED
NATIONS

E

Economic and Social Council

Distr.
GENERAL

E/1992/46
2 June 1992

ORIGINAL: ENGLISH

Substantive session of 1992
Item 12 of the provisional agenda*

DEVELOPMENT AND INTERNATIONAL ECONOMIC COOPERATION

Main research findings of the system in major global economic and social trends, policies and emerging issues

Report of the Secretary-General

SUMMARY

In section VI of resolution 1986/51, the Economic and Social Council requested the Secretary-General "to submit to the Council, on a biennial basis, a summary of the main research findings of the system on major global economic and social trends, policies and emerging issues". The present report has been prepared in response to the Council request on the basis of information received from the concerned bodies of the United Nations system along with review of their major publications. It highlights findings published in the past few years, including some issues and projections of future conditions for the 1990s, and identifies areas warranting further analysis.

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INTRODUCTION

1. The two years that have elapsed since the preparation of the previous report of the Secretary-General on the subject (E/1990/81) have witnessed dramatic changes. The Middle East conflict sent shock waves throughout the region with significant, albeit unevenly distributed adverse effects on the world economy. Democratic pluralism swept eastern Europe along with German unification. The process of systemic change in that region has subsequently gained further momentum but uncertainty surrounds the future course of economic policy in the Confederation of Independent States (CIS). The Economic Community (EC) moved closer to political and economic integration, a process that has far-reaching implications for the world economy.

2. The gap between the richest and poorest countries is increasing and alarming levels of poverty persist within the developing regions. Reflecting a significant evolution in prevailing perceptions of economic and social governance for development, an increasing number of countries have launched major economic reforms. The world economy continues to be reshaped by less visible but pervasive and far-reaching concurrent processes of economic globalization and increased interdependence, as well as political fragmentation. At the same time, the earth's global life-support systems are increasingly strained by slowing but still high population growth rates and by the degradation of the environment and its adverse impact on development.

3. These themes, among others, as well as those global and regional concerns provide much of the underpinnings of the large body of ongoing policy research which has been carried out by the United Nations system in the past two years. As it is not feasible within the framework of such a report to present a comprehensive overview of the substantive results of this work, an effort will be made instead to highlight sectoral and intersectoral findings and to identify areas warranting further analysis.

I. GLOBAL OUTPUT AND POLICIES

4. World production significantly decelerated in the last two years. Already in 1990, after several consecutive years of expansion in the world economy, world production growth virtually came to an end amidst a growing number of signs pointing to slower economic activities in large industrial countries, which had further tightened monetary policies in response to production at near capacity and rising inflation. The slow-down was made more widespread and profound by the Gulf crisis. In 1991, economic activity further declined. For the first time since the end of the Second World War, total per capita and income output actually fell, and economic decline was so widespread and so deep in eastern Europe and the Soviet Union that it could not be counterbalanced by the positive impact of the more dynamic economies, principally those of China, Japan, several other Asian nations and a number of Latin American countries emerging from long stabilization and adjustment efforts. Global recovery is still expected to regain in 1992, but to be

rather slow. The volume of trade, while also decelerating, continued to grow, exceeding the growth of world output for the seventh consecutive year. The World Economic Survey, 1992, prepared in the Department of Economic and Social Development, analyses the policy implications of these trends for various groups of countries.

A. Policy issues of developed countries

5. The weak economic conditions in several industrial countries, the consequences of the conflict in the Middle East, fluctuation in the value of the United States dollar and concerns about financial fragility in several countries have raised important questions about the mix of monetary and fiscal policies conducive to achieving sustained growth over the long term. The question is important to the extent that the situation in the industrial world is characterized by sharply different cyclical positions among major countries. In addition, active macroeconomic management in the major industrial countries has been primarily undertaken by the monetary authorities and the primary focus of policy makers has been on containing inflation, at the expense, if necessary, of incomes, employment and growth. The International Monetary Fund (IMF) stresses that the achievement of sustained growth along with a lasting decline in interest rates would require fiscal policies directed at increasing national savings, particularly in those countries where budget deficits are high and national savings low. The Committee for Development Planning noted that the management of fiscal deficits has a direct and profound effect on the development prospects of developing countries as it is one of the factors determining the availability of resources for development.

B. Economies in transition

6. Eastern Europe and the Soviet Union experienced the largest decline in economic activity since the immediate post-war years. Severe economic disruption resulting from the revolution under way in the region resulted in an output estimated for 1991 at 10 per cent to 15 per cent less than in the previous year. It is quite possible that at the end of this decade in several countries of the region total output will still be lower than it was in 1980. Indeed, the euphoria which followed the revolutionary political changes in most of eastern Europe and the Soviet Union in 1989 has now given way to a sober appreciation of the economic and political problems of these countries arising from the virtual collapse of trade among the countries of the region, lower levels of fixed investment, inadequate macroeconomic stabilization and unprecedented levels of unemployment. The move from centrally planned to decentralized market economies is now seen more clearly as a task of enormous complexity, entailing intertwined political, social as well as economic issues. The Economic Commission for Europe (ECE) suggests that the minimum requirements that should be put in place would seem to be unambiguous anchoring of property rights, macroeconomic stabilization, price liberalization, corporatization and enterprise reform, the creation of a

social safety net and labour market reform, the establishment of a commercial banking infrastructure, and trade and foreign exchange liberalization. A diversity of approaches, however, has emerged in the countries in transition with respect to the sequencing and speed with which the various reforms need to be initiated and implemented. The World Bank suggests that the absence of markets for both capital and labour tends to increase the costs of stabilization programmes in terms of output and unemployment and argues that stabilization programmes and liberalization of the economy must be preceded by structural reforms. The Bank also stresses that price liberalization measures need to be complemented in the transition by institutions and incomes policy measures if inflation is to be controlled.

7. The United Nations Research Institute for Social Development (UNRISD) has proposed that the process of reform in eastern Europe should take place within the framework of an explicit social contract between management, labour and the State. This may in turn call for the establishment of clear entitlements, as citizenship rights necessitate the social planning of provision of basic needs.

8. The ongoing transformation of the former centrally planned economies into pluralistic market systems affects other parts of the global economy, including the developing countries. These questions are now the focus of considerable research work and have been reviewed in detail by the Committee for Development Planning. Yet the quality and quantity of available and comparable data on eastern Europe remain highly unsatisfactory. With a view to strengthening the information base for the economies in transition and helping policy makers at the international and national levels, the World Bank is investigating the determination of basic costs and prices, national accounting for private sector production and the measurement of growth and inflation during economic transition.

C. Policy issues in developing countries

9. Output in the developing countries increased by about 5 per cent in 1991, the same rate as in the past two years and only marginally above the growth rate of population, thus implying a less than 1 per cent increase in per capita output. Much of this low growth is the result of the continuing stagnation of output in large Latin American economies, but prospects have declined for a number of countries in other regions as well. Recent changes in the international environment favoured some developing countries, but were unfavourable to most, underlining considerable variations in their ability to adjust their economies and compete in a changed international environment.

10. The World Bank concludes that the plausible range of growth estimates for developing countries in the 1990s may extend from less than 3 per cent a year to well over 6 per cent. This range translates into a 40 per cent difference in the level of real income by the year 2000. The Bank also suggests that the divergent patterns of growth assured in the 1990s will probably continue into the next decade. Such a trend, added to the uncertainty about aggregate

growth, intensifies the risk that the number of absolute poor in the world will rise greatly.

11. The picture of stagnation, recession and inflation that has characterized most of the countries of Latin America and the Caribbean in recent years seems to have evolved somewhat. The majority of the economies of the region are now operating on new public policy foundations entailing a firmer orientation towards exports, trade liberalization, fiscal austerity, more prudent management of monetary policy and greater reluctance to resort to public regulation of economic activity. These public policy rules nevertheless appear to involve even greater inequality of income than in the past, a more precarious unemployment situation, and a lesser degree of freedom in the application of economic policy.

12. Owing primarily to adverse effects of the Gulf crisis, the GNP of the Western Asia region contracted by more than 5 per cent in 1990, after having registered a 3.34 per cent growth rate in 1989. Development prospects have been set back severely by the massive destruction of economic and social resources and infrastructure in Iraq and Kuwait, the reconstruction of which may cost an estimated $US 25 billion in each country; by the need to divert high resources to finance the war and strengthen defence capabilities; by the disruption of interregional trade, capital and labour flows; by increased problems associated with structural employment and unproductive unemployment and balance of payments and budgetary imbalances which remain a major feature of many countries in the region. Less apparent, but no less important, has been the adverse impact on regional cooperation which will require time and effort to redress.

13. The Gulf crisis, the breakdown of the trading system between the countries of the Council for Mutual Economic Assistance (CMEA) and the recession in developed countries contributed to a sharp deceleration of world trade, which was reflected in a slow-down in the rates of export growth from the developing countries of the region of the Economic and Social Commission for Asia and the Pacific (ESCAP). The Gulf conflict, with its adverse effect on oil prices, tourism and the flows of labour migration and remittances, placed an additional strain on many economies of the region, resulting in a worsening balance-of-payment situation and a reduction of 1 to 2 per cent in the potential GNP of some of the worst affected countries. Natural disasters of unprecedented magnitude in several countries compounded these problems. The region's average rate of economic growth thus slowed during 1989 and 1990. The greatest deceleration was experienced by some of the highly export-oriented economies of the region. In spite of the unfavourable outlook for the world economy, the performance of the economies in the ESCAP region is likely to remain relatively strong, with the possibility of some of the more dynamic economies becoming overheated. As argued in a study by ESCAP, the changing global and economic situation focuses attention on the need for improving domestic as well as international competitiveness as a key concern in fostering industrial restructuring and social change.

14. In Africa, agriculture constitutes about a third of the GDP of the region. Good weather conditions in 1991 led to higher growth in agricultural output, and overall growth is estimated to have improved to 3.5 per cent that year. Many countries have changed their development strategies considerably. The general trend has been to reduce deficits by rationalizing public spending. The result of structural adjustment programmes have generally been favourable in agriculture but in other sectors, particularly in industry, have been far less clear. Most of these countries suffer from serious structural weaknesses, and policy reforms have yet to translate into sustained growth. Conflict and civil strife remain a major obstacle to economic and social progress. When accompanied with drought, the risk of famine is high.

D. Agriculture and other commodities

15. At the global level, the second part of the 1980s was a period of faltering agricultural output, especially for developed countries, while growth in food and agricultural production varied widely in developing countries. At the regional level, the overall pattern was one of sustained albeit slower growth in Asia; mediocre performance in Latin America and the Caribbean where production lagged behind population growth; marked instability in the Near East with virtually no progress overall; and a disquietingly poor record in Africa where production growth fell below the already inadequate levels of the early 1980s.

16. The overall economic environment has been generally unfavourable to agriculture in both 1990 and 1991. The economic slow-down under way in industrialized countries was accentuated by the effect of the Gulf crisis. Agricultural systems were adversely affected by slower growth of world imports demand and higher oil and energy prices. While countries and regional experiences varied widely, countries primarily relying on agriculture as a source of growth and export earnings were among those most severely affected.

17. Current estimates of food and agricultural production in 1990 indicate an increase of around 1.5 per cent over 1989. This increase represents a significant slow-down from the high growth rate of 3.2 per cent in 1989 (3.6 per cent for food) to one below both the average for the decade of 2.1 per cent and the 1985-1990 average of 1.7 per cent.

18. The slow growth in developing countries' food production in 1990 is reflected by the large number of countries which experienced declines in per caput food production. This is most evident in Africa where 35 of the 45 countries in sub-Saharan Africa recorded declines in per caput food production. In Latin America and the Caribbean, two thirds of all countries failed to increase food production in line with population growth. A majority of Asian countries also failed to raise their food production per caput in 1990.

19. World cereal production in 1990 increased for the second consecutive year to record levels. Cereal production in developing countries is estimated to

have increased by a modest 1.5 per cent, concentrated primarily in Asia. As global cereal output exceeded consumption in 1991-1992 for the first time since 1986-1987, world cereal stocks increased but are considered only minimally above "safe" levels. Cereal production rose at the world level due to good harvests in Asia, Central America and North America, while yields fell in 1990 in sub-Saharan Africa, South America and western and eastern Europe. Africa's food supply situation remains the most precarious, with 17 countries having experienced severe food shortages in 1991. In addition, while per capita food availability has continued to increase for the developing countries as a whole, the increase was slower in the 1980s than in the previous two decades. The situation for sub-Saharan African countries worsened to the extent that per capita food availability in 1988 was less than it was in 1970. The gap between food production and food consumption needs has had to be increasingly met by food imports, including food aid.

20. The 1980s witnessed a considerable contraction of the share of commodities in world trade. The decline of almost 40 per cent was mainly a consequence of falling prices. Commodity prices have generally been on a declining trend during the 1980s. In real terms, the prices of all commodities, except for bananas, manganese ore, nickel, tropical timber and zinc, declined. Real prices of non-fuel commodities slid by about 30 per cent, with the two extremes of tropical beverages which plummeted most (by some 50 per cent) and minerals and metals faring best with a decline of only 7 per cent. The real price of crude petroleum collapsed by about three fifths during the decade.

21. After an increase in 1988 from the historic lows of the mid-1980s, commodity prices reached a plateau in 1989 but declined again in 1990. The combined dollar price index of non-fuel commodity exports of developing countries declined by about 6 per cent in 1990. In real terms, commodity prices declined even more sharply, bringing down the average real prices of non-fuel commodities close to 1987 levels, the lowest since the 1930s. There was little sign of recovery in 1991.

22. During 1975-1988, virtually all developing countries experienced shortfalls in their commodity-related export earnings and total annual shortfalls in the 1980s were higher than those in the 1970s. The average annual shortfall for non-fuel commodities (mainly cereals, cocoa, coffee, cotton, sugar, tropical timber, tin and vegetable oil) was over $US 6.1 billion.

23. Falling export revenues from commodities and the declining share of developing countries in world trade contrast with a still strong dependence on commodities for production, employment and export earnings in most countries of the South. Only the countries of South and South-East Asia have managed to decrease their reliance on commodities. Heavily commodity-dependent countries showed not only a poorer growth performance than others, but their growth in investment was also lower, their inflation higher and their foreign debt greater. These countries failed to translate increases in productivity into enhanced income, as the lion's share of productivity gains was absorbed by

sliding commodity prices. In consequence, the commodity sector ceased to act as an engine for development. The results of an investigation by the United Nations Conference on Trade and Development (UNCTAD) call into question the validity of a number of well-established hypotheses on commodity demand. First, the thesis of an uncoupling of commodity demand from economic growth appears unfounded. Secondly, there is little evidence to suggest that the decline of material consumption per unit of GDP has accelerated its pace in developed countries in the wake of the oil price hikes of the 1970s. Thirdly, intensity of material use seems to fall gradually as a function of the widespread introduction of results of technological progress. The slow-down in demand for commodities since the late 1970s thus poses a question as to whether the brisk demand growth of the 1950s and 1960s on the heels of rapid economic growth in the post-war period should not be considered as exceptional.

24. On the basis of a statistical analysis of diversification of 86 developing countries, an UNCTAD study showed that the extent of their export diversification had been quite limited. For two thirds of them, commodity dependence had not declined or had actually increased.

E. Transnational corporations

25. In the 1990s, transnational corporations are likely to play an increasing role in the world economy and in the competitiveness of nations. In part, this is due to the rapid growth of foreign direct investment in the 1980s when it averaged 30 per cent a year, driven by a continuation of macroeconomic and firm level factors that are likely to continue, if not accelerate, in the 1990s. World-wide flows of foreign direct investment continued to grow rapidly towards the end of the 1980s, reaching a level of nearly $200 billion in 1989. Of total flows $163 billion were invested in developed countries and $30 billion in developing countries. Ten developing countries accounted for three fourths of total inflows to developing countries. In this context, the growth of foreign investment in developing countries in Asia and more recently, Latin America and the Caribbean, is an important development. In addition, a number of developing countries in Asia are themselves becoming important home countries to transnational corporations. Foreign direct investment (FDI) in the countries of central and eastern Europe continues to show signs of growing, but foreign investment in Africa and the least developed countries continued to stagnate.

26. The most important determinants of FDI are the specific assets underlying the competitive advantages of transnational corporations, their ability to gain from internalizing market relationships, the strengths of particular host countries as location for foreign production by transnational corporations and policies of host and home countries. Host country policies provide a necessary precondition for FDI, but effective policies by themselves are not enough to stimulate larger inflows of FDI. A World Bank study of Germany as a source country whose share of FDI stocks in developing countries decreased from 20 per cent in 1976 to 12 per cent in 1988, found that market size and import penetration were important driving forces for German FDI in developing

countries, while existing FDI abroad does not significantly affect exports to the recipient countries. As a consequence, trade barriers are an obstacle rather than a supportive element for German FDI. Empirical evidence suggested that efficient guarantee schemes might be a better way to encourage FDI flows to developing countries than generous tax exemptions, which are costly for some developing countries. Case-studies of the experiences of Malaysia and Brazil indicate that the availability of a skilled and relatively low-cost labour force and the existence of supportive physical infrastructure have been important factors attracting export-oriented transnational corporations.

F. Trade

Trade flows and balances

27. The slight deceleration in the growth of world trade since 1988 has reflected mainly a somewhat slower expansion of output in developed countries, but also the important decline in the growth of output and imports in some of the more industrialized developing economies in South-East Asia and continued stagnation in others. In many developing countries, supply side factors also contributed to the export slow-down. In the case of several countries in eastern Europe exports fell largely on account of supply problems. A revitalization of growth in the developing world and the reconstruction of eastern Europe would thus have very favourable effects on the evolution of world trade and world economic growth.

28. The developed market economies buy more than two thirds of the world's exports. Eastern Europe and the Soviet Union account for less than 10 per cent of world imports, and the share of the developing countries is less than one quarter. In 1980, the developing countries had purchased almost 30 per cent of the total. This reflects the changing fortunes of the oil-exporting countries and a decade of constraints on the growth of imports and output in Africa and Latin America. Only developing Asia has seen its share of world imports grow over the 1980s. Thus the growth of world exports in 1990 was concentrated on expanding sales to developed market economies, to developing Asia and to the oil-exporting countries whose export revenues rose on the strength of oil price increases in 1989 and 1990.

29. South-South trade in the 1980s tended to stagnate in terms of value and decline as a percentage of world trade as a result of the collapse of commodity prices, the rising cost of servicing external debt and a strong contraction in commercial credits. The 1980s were characterized by a clear shift in the direction of the export trade of the developing countries towards the markets of the developed world, arising from the rapidly contracting real import demand in Latin America and Africa linked with increases in the competitive position of South and South-East Asia on world markets.

30. UNCTAD studies of obstacles to South-South trade focus attention on the ad valorem incidence of transport cost on trade among developing countries, which is higher than on trade with the developed countries, and the lack of

marketing skills, market knowledge and access to channels of distribution necessary to mount export drives in new markets.

31. Problems encountered by the majority of developing countries in the early 1980s led them to shift their priorities from long-term development and integration efforts to short-term balance-of-payments considerations at the expense of regional preferential arrangements. Moreover, trade liberalization measures included in programmes of structural adjustment brought about further erosion of regional margins of preferences. Underlying factors of trade control measures as well as resource and factor endowments were also at play.

Trade effects of changes in central and eastern Europe

32. The changes taking place in countries of central and eastern Europe and the former USSR are affecting commodity trade among them as well as their trade with the rest of the world. Recent developments paint a rather pessimistic picture of a sharp decline in imports, at least in the short term, owing to a severe contraction in industrial activity and a severe shortage of foreign exchange. These trends seem likely to continue during the transition period, despite the low current per capita consumption levels especially for tropical fruits and beverages, unless, inter alia, new forms of cooperation between producers and consumers of these countries are used to compensate for the lack of foreign exchange. In the medium to long term, the resumption of economic growth in the countries of central and eastern Europe and the former USSR, combined with trade liberalization and currency convertibility, should lead to a growth in trade in commodities with the rest of the world which could well exceed the growth in their economies. Those commodities with relatively high income elasticities of demand in the region, such as tropical products, would be in the best position to benefit. For agricultural raw materials, the relatively low consumption levels for certain commodities indicate a potential for substantial increases in demand in the longer term, for example, for natural rubber.

33. UNCTAD studies further suggest that, in the short term, countries in central and eastern Europe are unlikely to generate competitive exports that are sufficiently large to replace exports from developing to developed countries on a substantial scale. Over the medium term, structural changes in countries in central and eastern Europe could move export production to a greater extent into sectors in which developing countries have established export supply capabilities. Competition could increase in some commodity and manufacturing sections.

National trade policies reforms

34. Since the early 1980s, a growing number of developing countries have pursued policies aimed at increasing the openness of their economies. Their experience seems to show that a phased process of import liberalization, with due attention paid to building up supply capabilities, is likely to lead to more successful structural adjustment than a rapid and broad-based liberalization of imports. As the number of countries adopting trade

liberalization and export-promoting strategies grows, so does the need for developed countries to preserve open markets or improve market access conditions for the exports of developing countries. This would be facilitated by the adoption of positive structural adjustment measures and mechanisms.

35. UNCTAD has assessed the experience of developing countries in trade policy reform. The experience of Brazil, Chile, Malaysia and Turkey suggests that import liberalization is not a necessary precondition for export growth. While export incentives were important, the maintenance of a competitive real exchange rate was also crucial in these countries' export success and structural adjustment. In Cape Verde and Senegal, trade reforms have yielded limited results in terms of economic growth, suggesting that "getting prices right" is an insufficient condition for success. Weak supply responses, inadequate infrastructure and limited organizational capabilities have blunted the effectiveness of changes in price incentives, effected through either traditional trade policy instruments or the exchange rate. The experience of these two countries also underlines the fact that a paucity of human resources can be a serious impediment.

Trading blocs

36. Increasing concerns have been voiced over the possible splintering of the global trading system into a number of large blocs. A sizeable share of world trade is already taking place within blocs. The question today is not whether these blocs will be formed but rather how encompassing they will be and how to ensure that they will not harm the trading system. The Committee for Development Planning concluded that bloc trading usually gives rise to both trade creation and trade diversion. Members' gains overall depend on which of the two predominates and whether such factors as economies of scale and specialization, increased productive efficiency and gains in export markets and improved terms of trade apply. In the view of the Committee, a realistic approach to regional blocs would require a great deal of preparation if expected gains were to be realized. A careful analysis of actual and potential costs and benefits to those within a bloc and those not included within it would be necessary to ensure equity and growth. One of the main conclusions of an ECE study of the impact of the 1990 free trade agreement between Canada and the United States is that the short-run effects on GDP and other economic variables in Canada and the United States are unlikely to be large. Also, adverse effects on third countries, in aggregate, are likely to be small or non-existent. However, significant trade diversion effects do seem possible for motor vehicles and parts, and for textiles and clothing. Western Europe may be affected in the former sector but, in general, the main impact is likely to fall on Japan and the developing countries.

II. DEBT ADJUSTMENT, GROWTH AND HUMAN RESOURCE PROTECTION AND DEVELOPMENT

37. The external debt of capital-importing developing countries reached a new peak of $1.2 trillion in 1992 after remaining practically unchanged during the period 1987-1989. The increase in the stock of debt was due not to any

substantial expansion in the flow of lending to developing countries but rather to the 1990 weakening of the dollar. Net lending was only $8 billion more in 1990 than it had averaged in the two previous years. In fact, for much of the decade, the overall picture has been one of stagnation in real aggregate net resource flows and, more significantly, of negative net transfers to developing countries which reached $27.1 and $21.7 billion in 1989 and 1990.

38. Debt owed to official creditors continued to represent an increasing share of debt of developing countries, as private creditors, particularly commercial banks, were systematically reducing their exposure to heavily indebted countries. By October 1990, the total amount of official debt cancelled had come to almost $11 billion, but the total debt forgiven has increased substantially since then as creditor countries implemented outstanding commitments and announced new initiatives. Until recently, there has been relatively little debt forgiveness extended to middle income countries. Rescheduling, as opposed to writing off debt, is usually negotiated at the Paris Club. Only 7 agreements were negotiated with developing countries during the last quarter of 1990 and the first two quarters of 1991, compared with 23 agreements signed over the same period in 1989-1990. Private debt has also been cut down through a series of conversions and repurchases, usually at a considerable discount, and in some cases through non-renewal to debtor countries themselves of certain credit lines when those reach maturity.

39. The ratio of external debt to exports improved for various groupings for developing countries in 1990, largely on the strength of higher petroleum export earnings. The ratio of external debt of capital-importing developing countries to gross national product, which had declined during 1988-1989, increased during 1990 and for sub-Saharan Africa reached a new peak of 102 per cent.

40. Net overall debt reduction with respect to debt owed to commercial banks was no more than 3 per cent of the 1989 long-term debt for Mexico and Uruguay and in fact raised the debt outstanding for the Philippines and Venezuela. Interest saving obtained has thus been below expectations and, except for Costa Rica, represented only 5 to 8 per cent of those countries' total 1989 interest bills. It is estimated that total annual debt service relief over the next four years within the framework of the Brady Plan could range from about 2 to 6 per cent of those countries' 1989 gross national product. In addition, results so far are mixed as to whether restructuring arrangements have contributed to the acceleration of those countries towards renewed access to private market lending as a significant source of net capital inflows and new financial transfers. There seems to be room, therefore, to improve the effectiveness of the current debt strategy by raising the scale of debt reduction and enlarging the scope of debt eligible for restructuring.

A. Macroeconomic and structural issues

Debt adjustment and growth policy

41. As the debt crisis is entering its second decade, it is clear that the debt strategy has evolved considerably from a misconceived diagnosis of the balance-of-payments difficulties of heavily indebted countries to acceptance of the idea that long-term relief is a necessary component of the debt-management strategy. Reduction of the debt burden by itself was never thought to be sufficient to reverse the dismal economic performance of debtor countries. Changes were also required in domestic policies and sound stabilization programmes were understood to have a better chance to succeed when supported by adequate external financing and a dynamic international economic environment.

42. The effectiveness of the current more structural approach to overcoming the debt crisis is still a matter of controversy. The debate on stabilization policies has focused in particular on the following themes, which were analyzed in depth in the report of the Secretary-General on economic stabilization programmes in developing countries (A/46/385) and in the World Economic Survey, 1990: policy shocks versus gradualism; scope versus intensity of policy reforms; sequencing of policy reforms; permanent fiscal adjustment and public sector reform; coordination of private sector investment decisions; public investment in infrastructure; sectoral policies; policy stability and sustainability; temporary price controls and income policies; nominal anchors and financial safety nets; debt reduction for low-income and middle-income countries; and special problems of formerly socialist economies.

43. According to the World Bank, it appears that countries that are more open are likely to be subject to shocks of larger magnitude, but are also likely to adjust more quickly and effectively. The Bank also underlines the fact that the "adjustment-with-growth" packages advocated by adjustment lending programmes have been much more successful in developing countries that export manufactures than in those that concentrate on primary exports; the latter have not resumed sustained growth, and most of their external adjustment has arisen from expenditure reduction, not from an increase in supply. The longer-term prospects for exporters of manufactures are also brighter; in these countries there are signs of increased efficiency and a smaller decline in investment than in primary exporters. But a high external debt burden and an unstable economic environment impede investment in all developing countries. In the longer term, adjustment-with-growth packages will succeed if they are accompanied by a more stable macroeconomic environment and appropriate debt relief.

44. The Bank suggests that cross-section correlations of fiscal balances with macroeconomic variables are surprisingly strong. Stable and low fiscal deficits are associated with good growth performance. Fiscal balances are positively related to investment and to current account balances. High fiscal deficits show an association with highly negative real interest rates

(financial repression), money creation and high black market exchange rate premiums. The aggregate of the 10 case-studies shows an association between fiscal adjustment in the 1980s, current account improvement and real depreciation.

45. The Committee for Development Planning stressed that what is primarily required is not a sizeable reduction of public deficits through expenditure cuts, notably those relating to public investment in physical capital and in human resources, but a shift in expenditure composition on programmes relating to education and health and those designed to satisfy the basic needs of the poorer segments of the population.

46. The United Nations University's World Institute for Development Economics Research (UNU/WIDER) has carried out a study drawing in part from the Sri Lanka adjustment experience, recommended that international agencies should encourage member countries requesting financial assistance to submit their own programmes of adjustment, and that they base lending decisions on their assessment of the debt-servicing capacity and financial management of borrowers, with conditionality being normally confined to factors bearing in these two areas.

Financial flows

47. Developing countries have been faced with a much reduced supply of foreign funds from such sources as commercial banks and stagnating official development assistance (ODA). Net official development finance increased in current dollars from $45 billion in 1981 to $69 billion in 1989. While ODA has been growing in nominal dollar terms in the 1980s, it has been stagnant in real terms. Moreover, the ODA/GNP ratio has remained stagnant over the past five years, fluctuating between 0.36 and 0.33 per cent of GNP.

Public expenditures and deficits

48. Central government expenditures as a percentage of GNP for the developing countries as a group was 26.5 per cent in 1987, with an increment of 4.9 percentage points from 1972. In comparison with the situation in a developed market economy, the proportion of functional categories of central government expenditures is higher in economic services but lower in housing, amenities, social security and welfare in the developing countries. Both within developed and developing countries, rigorous structural adjustment was not accompanied by drastic change in the functional structure of central government outlay between 1972 and 1987.

49. Capital and current budgets in most developing countries came under increased pressures throughout the 1980s. The chronic trend of budget deficits, averaging close to 5 per cent of the GDP between 1981 and 1989, suggests that they will continue to pose a major problem for economic policy in most developing countries in the 1990s, although many countries have made efforts through structural adjustment to contain these deficits.

Security disarmament and resources for development

50. A major factor influencing deficit creation has been the increase in recurrent expenditure emanating from past capital expenditures. The other major factor has been the large increase in defence expenditures, which is particularly destructive for poverty-ridden developing economies. The United Nations Development Programme (UNDP) estimates that if industrial countries were to reduce their military spending by 3 per cent a year, this could provide $25 billion a year. In addition, if developing countries merely froze their expenditures at current levels, this could yield potential future increases of over $10 billion a year. The high military expenditure in many developing countries especially relative to social expenditure, its resilience to budgetary stringency and its importance for external debt are among the issues being systematically examined by the World Bank. The economic implications of current agreements and regulations on disarmament, particularly the link between disarmament and development and the idea that disarmament would yield automatic returns, are critically assessed in a study by the United Nations Institute for Disarmament Research (UNIDIR). Another UNIDIR historical and comparative study of the relationship between military industrialization and economic development shows that this relationship is variable and context-dependent.

Savings, financial development and entrepreneurship

51. Domestic savings as a ratio of GDP for the low- and middle-income group of developing countries were 25 per cent in 1987, indicating an increase of 7 percentage points from 1965. This reflects more availability of domestic resources for investment. Public savings in developing countries were consistently negative; based on regional average in 1987. Public savings as a percentage of GDP were -7.7 per cent for the low- and middle-income group in 1987. For countries where the record of formation of private savings is poor, this shortfall of public savings is indeed critical.

52. UNDP found that nearly $50 billion a year (about 2 per cent of the GNP of the developing countries) could be released for more productive purposes. As pointed out earlier, much of this could come from freezing military expenditures, which absorbs 5.5 per cent of the GNP of the developing world. Added savings could come from halting capital flight, combating consumption, reforming public enterprises and reducing internal policing. Important amounts of resources could become available if external and internal debt were reduced.

53. The World Bank is carrying out research on how access to affordable credit can remove the obstacle of low savings for the poor and help their income and employment by examining the cost structures of three credit programmes in Bangladesh, their estimated effects on households, and on the members of households, and the distribution of such effects by gender. Ultimately, this project is intended to ascertain the modalities of group-based credit programmes and their sustainability.

B. Adjustment and human resource protection and development

54. UNDP found that, judged by basic human development indicators, development has had successes over the past three decades. Average life expectancy in the developing countries increased by 16 years and adult literacy by 40 per cent. However, the review of global statistics also showed that the backlog of human development is still enormous.

55. In part as a result of the impact on social conditions of structural adjustment programmes, there has been a significant increase in attention to social services in the economy. A World Bank study underlined that the poverty costs of adjustment are not simply a short-term problem and that adjustment programmes need to be designed to protect the poor's living standards from the adverse effects of austerity policies and to increase the productivity of the poor so that they will contribute to growth. In more general terms as evidenced by the World Development Report, 1991 of the World Bank, State of the World's Children of the United Nations Children's Fund (UNICEF) and issues of the Human Development Report of UNDP, there is a confluence of opinion that economic growth and human well-being should be pursued simultaneously and that the two are mutually reinforcing. Primary health care and primary education are two of the most important ways of "investing in people". Nevertheless, UNICEF studies show that of 23 developing countries for which comparable figures are available, only three Governments allocate more than one fifth of their expenditures to these basic services. Similarly, at the international level, only about 15 per cent of all bilateral and multilateral aid goes to health and education and to population programmes and only about 2 per cent goes to primary health care and primary education.

56. Current shifts in development thinking have rekindled the debate concerning the proper role of Governments in the process of development. In its World Development Report, 1991, devoted to the themes of direct poverty reduction, the World Bank articulated the view that the Government's proper place is in the area of social investment rather than economic management. In this connection, the report compared the growth record of individual developing countries over the last 20 years. Taking price distortions as a measure of "market interference" and education as a measure of "investment in people", the Bank concluded that countries that did badly on both criteria grew, on average, by 3.1 per cent a year; those which did well on only one of the criteria grew by 3.8 per cent a year; and those which performed well against both criteria had a much more impressive growth rate of 5.5 per cent a year. Other studies have shown nevertheless that Governments' selective interventions in markets can make important contributions to raise competitiveness and dynamism in the economy. Such is the case in particular in Hong Kong, Japan, the Republic of Korea, Singapore and Taiwan Province of China, where Governments have harnessed private enterprise to an overall development strategy.

Poverty and related social conditions

57. Global poverty remains the most pressing problem and serious challenge of our times. Estimates put the number of poor at over 1 billion, some one third of the total population of developing countries. Almost one half of these are in South Asia, 25 per cent in East Asia, and 16 per cent in sub-Saharan Africa. In terms of the incidence of poverty, around one half of the population in the South Asian and sub-Saharan regions are defined as poor. As disturbing as the level of poverty is the fact that the total number of poor has increased in most developing countries in the last decade, particularly in Africa and Latin America. Real income of workers, both wage earners and the self-employed, has fallen by as much as 30 to 40 per cent in these regions since the beginning of the 1980s. In effect, the global recession and adjustment programmes have added a new layer of poverty to the "structural poverty" that previous development had failed to eradicate.

58. In sub-Saharan Africa, the 1980s witnessed a process of informalization of labour markets, with an increasing proportion of economic activity taking place outside the formal sector, while conditions of employment in the formal sector itself dramatically deteriorated. These trends have exacerbated the problem of poverty more often in urban than in rural areas.

59. In Latin America, the rate of job creation in the modern sector fell, while the non-agricultural informal sector accounted for 45 per cent of new urban jobs created during the 1980s. Jobs also tended to become more precarious. The deterioration in the quality of employment was accompanied by a drop in wage income. The informalization of production and the deterioration in income had a negative impact on poverty levels and on the distribution of income. In sharp contrast to Latin America and Africa, the growth performance of the Asian economies in the 1980s was impressive, and by and large they adjusted more quickly and less painfully to external shocks.

60. Studies of the International Labour Organisation (ILO) point to the need for continuing work on improving the design and implementation of structural adjustment and economic transition programmes with respect to minimizing their negative impact on employment and poverty. The challenge is to avoid treating employment and poverty issues as exogenous outcomes to be dealt with ex post facto through temporary relief measures. What is required is to endogenize employment and poverty issues into the policy formulation process.

61. A further lesson is that new forms of social insecurity and an aggravation of poverty represent more than a problem of transition and the handling of adversely-affected groups in the transition process. The larger problem is that of building new forms of economic and social regulation and schemes of social protection that are compatible with the demands of efficiency, a lower level of State intervention and the assurance of basic levels of social security on a continuing basis.

62. The World Bank stressed that, taking into account growth performance within a country over time, growth and poverty alleviation are positively associated.

Hunger and food security

63. There has been a resurgence of famine, particularly in Africa, as a result of drought, civil strife and war. The Office of the United Nations High Commissioner for Refugees (UNHCR) notes that the number of refugees world wide has surged to 17 million, only surpassed by an even larger number of displaced persons. The number of chronically hungry people continues to grow, surpassing half a billion, the vast majority of whom, perhaps 80 per cent, are the rural poor, though an increasing proportion live in urban areas, particularly in Latin America.

64. Looked at by region, the largest increases in the number of hungry people over the past decade have occurred in Africa, but the majority of the undernourished are still to be found in Asia.

65. By the year 2000, the number of hungry people in sub-Saharan Africa is projected to increase by at least another 25 million to total more than 165 million, possibly reaching 200 million. The "food gap" between domestic supplies and fast-growing demand could widen to 50 million tons. To fill this gap in basic food staples, Africa's own food production would have to reach more than twice the average growth rate of 1.7 per cent per annum, achieved over the period 1960 to 1985. Given the difficulty of reaching such a target, the food situation in sub-Saharan Africa can be expected to worsen as the decade progresses and most of the countries of the region are likely to be food-deficient by the year 2000.

66. The largest concentration of the hungry and poor will continue to be found in Asia, mainly in South Asia, and overwhelmingly in the rural areas. While the outlook for the year 2000 and beyond still foresees a reduction in the share of the hungry living in Asia, the total number could be only slightly lower (about 40 million fewer) than earlier projected, partly because of a recently revised assessment of the rate of fertility reduction.

Education

67. Over the long term there has been great success in rapidly raising school enrolment, especially at the primary level and in reducing illiteracy. Projections point to considerable progress in the 1990s, although the number of illiterates will continue to grow and the least developed countries will likely fall short of universal primary education by 2000.

68. By the year 2000, an estimated 912 million adults (15 years and over) will be illiterate, with more than 98 per cent of them living in developing countries. Asia will remain at the core of the problem with 693 million illiterates; Africa will have 168 million, and Latin America and the Caribbean region 38 million. These numbers indicate disproportionately high levels of women. A majority of the world's illiterates live in rural areas or urban slums and most live in poverty.

69. In the context of evolving developmental paradigms, increasing attention is being given to the linkage between macroeconomics and education sectors. Initial findings of various research reports by the World Bank show that earlier investments in education in Brazil contributed markedly to the country's rapid growth in the 1960s and 1970s, particularly as a threshold was passed of an average of three to four years of education of labour force members (suggesting positive externalities to higher average levels). Compared with the Republic of Korea, however, where educational opportunities grew faster, Brazil's relatively lower investments have implied greater inequality of income, due particularly to the high returns to the relatively few beneficiaries of post-primary education. In Malaysia, absolute poverty radically declined and income distribution improved during 1973-1987. An important determinant of this improvement was the education of females and their participation in the labour force.

70. Empirical evidence related to women's patterns of cash income spending and returns to education point to the desirability of giving greater priority to public education for women.

Health

71. Overall health status is well reflected by life expectancy at birth. On average, a newborn baby in one of the developed countries can expect to live 76 years, 26 years longer than a newborn in the least developed countries. Life expectancy for other developing countries typically lies between these two values, being closer to the developed countries for the countries of East Asia and most of Latin America. Life expectancy in eastern Europe is, on average, just over 70 years.

72. The relative differences in health status identified from the data on life expectancy mirror those from infant and child mortality. Thus the infant mortality rate for the least developed countries in 1988-1990 was almost 120 per 1,000, or 809 times higher than the rate for developed countries. Globally, the infant mortality rate fell from 76 per 1,000 in 1983-1985 to 68 per 1,000 in 1988-1990.

73. UNICEF has reported "fragmentary" evidence of rising infant mortality rates and low birth weights in parts of Latin America and in Africa south of the Sahara. So far, however, these have not been reflected in officially reported mortality rates. UNICEF has also shown that health and education services in central and eastern Europe have been subject to some of the deepest spending cuts and that the nutritional status of many children may already be threatened.

74. The success of the immunization efforts of the 1980s underlines the fact that there now exist economically feasible solutions to most of the health and nutrition problems that afflict millions of people in the developing countries. The per capita costs of these essential measures, as attested by UNICEF and the World Health Organization (WHO), are relatively low. The point is especially relevant to the containment and prevention of the AIDS pandemic

which has staggering financial and socio-economic implications. A cumulative total of 30 to 40 million human immunodeficiency virus (HIV) infections in men, women and children, 90 per cent of them in developing countries, has been projected by WHO for the year 2000.

75. The technical know-how to protect communities against such destructive forces is now available, though to very few. In spite of the relatively low costs, resource constraints have prevented many developing countries from committing extra resources to health care. That the modest resources needed for effective primary health care cannot be put together in many of their budgets highlights both the penury of resources as well as the need to attach greater priority to this objective.

76. The spread of cholera in the 1990s to the Americas emphasizes the fact that while the availability of safe water and adequate sanitation continued to increase, millions of people in the developing countries still do not have access to these two basic needs. WHO suggests that although globally by 1990, safe water supplies had been extended to 81 per cent of urban dwellers and 58 per cent of rural inhabitants, and adequate sanitation coverage was 71 per cent in urban and 48 per cent in rural areas, 1,500 million people still lack access to clean water supplies, and 2,000 million still live without adequate sanitation. In terms of relative need, Africa has the lowest rate of water coverage (44 per cent) while South and East Asia have the lowest sanitation coverage (20 per cent). In absolute terms, however, the needs are greatest among countries of South and East Asia, where more than 400 million people lack safe water supplies and over 1,000 million remain without adequate sanitation coverage. WHO is currently carrying out research concerning the various links between macroeconomic development, health care services and health status in countries in greatest need.

III. POPULATION AND HUMAN SETTLEMENTS

A. Trends in population growth, ageing and international migration

77. World population reached 5.4 billion in mid-1991, having doubled since 1955. Although population growth rates are decreasing in every region of the world except sub-Saharan Africa, in absolute numbers annual population growth is larger than ever. The most recent United Nations estimates suggest that world population growth may continue for another 150 years, much longer than previously expected. Well over 90 per cent of this growth will occur in what are now developing countries. Between now and the turn of the century, the population of industrialized countries will grow by only 56 million, or 5.2 per cent, while that of developing countries will balloon by over 900 million, or 24.6 per cent. The United Nations Population Fund (UNFPA) suggests that population intervention is both necessary and valuable.

78. Population ageing in the developing countries is likely to be much more rapid than it is in the developed ones. The average annual growth rate of the elderly population from 1985 to 2000 and from 2000 to 2025 will be 2.9 and 3.3 per cent, respectively, in the less developed regions compared to about 1.6 and 1.5 per cent in the developed countries, translating into an absolute increase of around 28 million elderly people per year in the developing world by 2025. This phenomenon will be even more dramatic in those developing countries which have already attained low fertility levels, as in the case of China.

79. Evidence about international migration still remains inadequate, in spite of the fact that the phenomenon has been growing. UNFPA emphasizes that the pressure of international migration from developing to developed countries built up during the 1980s and will continue to grow during the 1990s because of the rapid increase in the number of educated youth in the developing world, chronic inability of the labour market in many developing countries to absorb the growing number of educated manpower, and growing earnings differentials between workers in the North and the South. Findings show that nearly one out of every two of the world's international migrants is a woman. Female migration is becoming more visible, especially among South and South-East Asian migrants going to the Middle East.

80. A joint ILO/UNHCR project is being conducted with a view to developing a thematic and geographical knowledge base of international migration. While ILO will tackle such aspects as promotion of employment, social development poverty reduction, UNHCR will prepare studies on the possible interrelationships between international aid and strategies for prevention and solutions.

Urbanization

81. In the 35 years after 1950, the number of people living in cities almost tripled, increasing by 1.25 billion. In 1990, 2.4 billion people or 45 per cent of the world's population lived in urban areas. The world's urban population will rise to 3.2 billion in 2000, or 51 per cent of total world population, and by 2025 the world's urban population will be at 5.5 billion or 65 per cent of the global population.

82. The rapid growth of urban population is by now almost exclusively a developing country phenomenon in Africa, Asia and the Pacific, Latin America and the Caribbean, and the Middle East. The developing countries' share of the world's urban dwellers - 63 per cent in 1990 - will rise to 71 per cent in 2000 and 80 per cent in 2025. This growth has been far beyond anything imagined only a few decades ago - and at a pace that is without historic precedent. In addition to the growth of mega-cities, the growth of small- and medium-sized cities will also continue. Urbanization will perhaps be the single most important phenomenon transforming the economies and societies of many developing countries over the next 35 years.

83. Growth rates are expected to be fastest in Africa, where the urban population may double between 1985 and 2000. Absolute growth will be greatest in Asia, where cities will gain another 500 million inhabitants during the same period.

84. Most of this growth - two thirds of it in many Asian and Latin American cities, but less than one half in many African cities - will be due to the natural increase of populations already in the cities. The remainder will come from rural-urban migration, the incorporation of villages into expanding urban municipalities and the changing definition of settlements from rural to urban as they reach a given size.

Shelter and services

85. Urbanization has brought an alarming rise in the incidence of urban poverty, and it is estimated that by the end of the 1990s half of the absolute poor in developing countries will be concentrated in urban areas. Malnutrition and disease are critical problems in poor urban neighbourhoods and the rapid growth of urban population has led to environmental degradation, increasing strains on existing supplies of housing, urban services and infrastructure as well as to increasing demands for basic social services and facilities that few Governments in developing countries can meet.

86. If present policies on housing construction continue along with low investment and economic growth, little increase in the number of new permanent dwellings per new household can be expected in the low-income developing countries, and only a moderate improvement (one new unit for every two additional households) is projected in the middle-income countries by the late 1990s. In the high-income developing countries, the outlook is better, even with slow economic growth. The sheer magnitude of the costs involved points to the need for alternative mechanisms to meet the demand for other elements of urban infrastructure systems, such as water supply, drainage and solid waste management. The World Bank identified sanitation options that fall in between - in cost and level of service - conventional sewerage systems, which are expensive and unaffordable to the majority of urban populations, and on-site systems which can be inappropriate or unacceptable.

87. To the degree that cost recovery would allow Governments to extend water, sanitation and waste management facilities to expanding sections of cities and towns, more effective and appropriate means must be found to recover the costs of urban services. The use of cross-subsidies extend services in ways that involve or promote employment for community residents, thereby raising the income of poor families and increasing their ability to pay for service improvements.

IV. SCIENCE AND TECHNOLOGY

88. Scientific and technological research and innovation are major forces in the economic and technological development of virtually all societies today. At the same time, technological innovations represent the main causes of

economic and social destabilization as they affect established values in a given society and shape the growing needs and substance of development objectives. There is still, for example, much debate as to the impact and benefits of the Green Revolution in Asia. The historical record, however, shows that the Green Revolution helped bring about major increases in rice and wheat production and contributed to averting the massive famines predicted by many for the 1970s and 1980s. It has also helped to stimulate the region's economies in general and rural development in particular. Some countries have benefited more than others, and Green Revolution efforts are still expanding to some of those countries not reached before. The Green Revolution successes in Latin America and the Caribbean are reflected in the development of yield-increasing technologies for wheat and maize in Mexico and rice in Colombia. In Africa, despite early successes in developing hybrid and composite maize varieties in eastern and southern Africa, progress in increasing maize yields has been very uneven.

89. In particular, there has been much controversy about the Green Revolution's socio-economic benefits in terms of sustainable food security and poverty alleviation. The general conclusion is that neither the Green Revolution nor the slow spread of other agricultural technology has done much to reduce hunger and poverty. By focusing on rice and wheat at the expense of other foods of high nutritional value needed for balanced diets, the Green Revolution may even have created new nutritional risks for rural people. The Green Revolution as well as other research and technology experiences have left a considerable unfinished agenda to be addressed in the current decade, which revolves around three issues: technology, sustainability and equity.

90. Recent developments in biotechnology have raised new fears about further declines in developing countries' commodity exports and the ensuing effects on their economic development. UNCTAD estimates that the value of agricultural commodity exports to be affected within four to five years is US$ 20.9 billion for tissue culture techniques and US$ 6.4 billion for genetic engineering. The extent to which developing countries will actually benefit is a debatable question, as a major part of biotechnology R&D is done by private enterprises in developed countries. Intellectual property rights will be a significant factor in the diffusion of new techniques.

91. With respect to economic, commercial and developmental aspects of the industrial property system, studies suggest that reinforcement and expansion of intellectual property in isolation cannot create conducive conditions for technological transfer and development.

92. The newly established Institute for New Technologies (INTECH) of the United Nations University is carrying out multidisciplinary research that links technology policy to sectoral development policies on industrialization and agricultural development as well as "diagnostic" research in the experience of technology policy in developing countries. Specific studies in progress include an analysis of elements in the Uruguay Round of the General Agreement on Tariffs and Trade (GATT), that will affect the terms on which developing countries will get access to new technologies, including especially

trade in intellectual property, as well as new approaches to direct foreign investment and related matters; and an assessment of the implications thac economic crises and structural adjustment policies in sub-Saharan economies have had for technological institutions in these countries and for technological capacity.

93. Findings by the World Bank suggest that most of the technology institutions in developing countries, including in most newly industrializing countries, need to be completely redesigned; they need to become demand-driven, oriented towards applied research and training, and supportive of a dynamic private sector that is forced to compete and thereby to demand technological services. Likewise, the kind of education and training required in an industrializing developing country needs to be rethought particularly at the secondary and post-secondary levels.

94. UNCTAD suggests that the most successful industrializers in the developing countries have intervened heavily in building up technological capabilities, by establishing incentive structures in product markets to induce enterprises to increase capabilities; in factor markets to develop the capabilities to respond to the incentives; in the institutions to facilitate the functioning of markets. UNCTAD's analysis also highlights the importance for policies to foster interaction among incentives, capabilities and institutions.

95. Foreign affiliates of transnational corporations have made significant direct contributions to technological change and growth in host developing countries through increase in R&D expenditures, higher factor productivity and change in the composition of manufactured output and exports in favour of R&D intensive products. However, evidence of spill-over benefits arising from an integration with domestic economies, the stimulation of local R&D or technological alliances with local enterprises is mixed. Such benefits seem to depend on host countries' own technological competence, level of human resources development and entrepreneurial capacity.

V. ENVIRONMENT AND DEVELOPMENT

96. Individual countries, as well as the world community, have recognized the need for decisive and urgent action to prevent ecological disaster and to protect the life-sustaining qualities of the Earth. Threats to the environment arise from excessive demands made on it by a high level of consumption, soil erosion and destruction of forests to eke out a living by those whose consumption levels are very low, and the pressure of population on fragile ecosystems.

97. A study by the Department of Economic and Social Development found that despite considerable improvement in energy use, by the year 2020 economic growth as a whole will be accompanied by an increase of 90 per cent in the annual consumption of fossil fuels, which will result in increases of emissions of 93 per cent for carbon dioxide (CO_2), 80 per cent for sulphur

oxides (SOx) and 68 per cent for nitric oxides (NOx). Fossil fuel use and air emissions per unit of world output will be lower in 2020 than in 1990. Air emissions per unit of GDP will also decline in the developed regions, newly industrialized countries and China. However, they will increase rapidly in the other developing countries from 1990 to 2000, and then fall back almost to their 1990 level by the year 2000. However tentative such projections may be, corrective measures will in any case call forth a commitment of will and resources as well as technological innovation. The United Nations Conference on Environment and Development could be a major step forward towards achieving these goals.

98. UNCTAD studies show that a growth strategy based on commodity exports cannot be criticized from the sustainable development point of view, as long as there is a management policy that rationalizes and restricts the level and modes of natural resource exploitation. But in the present context of foreign exchange constraints, lack of investment and little alternative income opportunities for many developing countries, this is a difficult task and short-term needs and interests may easily lead to unsustainable practices, with the resulting tendency towards natural resource degradation and depletion.

99. Since free market forces alone do not adequately price environmental and natural resources, this will require substantial policy intervention in order to correct the divergence between private and social costs and send the appropriate price signals to economic agents.

100. There is no reason either to believe that trade liberalization will lead to unsustainable development. As long as all environmental resource costs are included in the costs of the products being traded, free trade should allow for improved access to markets. It should also allow for more international discipline in such trade distortive practices as agricultural subsidy programmes which often encourage overuse of fertilizers and pesticides, and it should contribute to diminish the dependence of developing countries on a few primary commodities. The conflict between free trade and the environment will only arise if poverty, debt and export pressures induce Governments to ignore the need to incorporate the full environmental costs into export prices.

101. National income accounting does not take into account many effects of production and consumption of the natural resource base, or in the case of exploitable resources, distinguish between two value added and sale of assets. The World Bank and the Statistical Division of the United Nations Secretariat are carrying out research on whether methods for improved accounting of natural resources and the environment can be developed and integrated accounts established that are flexible enough to be applicable for most major resource issues that countries face and that are useful for application by national income accountants and economists. Currently, the Bank is also assessing international response mechanisms and national ozone policies.

VI. CONCLUSIONS

102. The research work of the United Nations system in the last two years is to a large extent in a state of flux, reflecting the evolving development consensus. Empirical investigations are increasingly focusing on such questions as the nature, parameters and policy implications of the evolving concepts of growth and development, the establishment of conditions to redress the deterioration of the environment in a developmental context, and the improvement of the quality of life of populations. A large study of research is also now in progress on the political economy conditions of the transformation of productive structures with due regard to greater social equity and the consolidation of the democratization process, both of which are hypothesized to create new sources of economic and social dynamism. No simple and uniform substantive conclusion has yet emerged from this work on the basis of universally accepted or acceptable empirical evidence. This is hardly surprising in the light of the variety of prevailing approaches, methodologies and orientations. The decentralization of the United Nations system undoubtedly encourages this pattern of competing ideas and policy prescriptions and recommendations. Its beneficial effects are not to be underestimated, not only because it promotes a more effective monitoring and identification of emerging issues of global concern but also because it has contributed to significant improvements in programme elaboration and delivery. The marked evolution that has characterized the conception and implementation of structural adjustment programmes in the past few years in developing countries and, more generally, the growing concern for human development and preservation are cases in point.

103. At the same time, a number of subjects would seem to warrant further empirical investigation. Reference has been made, for example, to the need for more reliable and comparable data with respect to eastern European economies for the purpose of monitoring their transitional process and defining appropriate policies in support of their transition. Similarly, grass-roots participation is increasingly perceived as an important element of the development process. More needs to be known about the types of policies and actions that would be necessary to ensure a more effective use of human resources for capacity-building, self-reliance and sustainability in the development process. Major strides have been made in factoring environmental concerns into the development process. Nevertheless, the secretariat of the Conference on Environment and Development has suggested that there is a need for further multidisciplinary and intersectoral research in such areas as the linkages between poverty, changing consumption patterns and demographic dynamics; the promotion of sustainable agriculture and rural development; the protection of the quality and supply of fresh water resources; the environmentally sound management of biotechnology; the conservation of biological diversity; the environmentally sound management of solid wastes and sewage-related issues and of hazardous wastes; and the protection of seas and the atmosphere.

104. Finally, as evidenced by the pioneering research findings of such entities as UNU/WIDER and UNRISD in their respective areas, autonomous research institutes have generated fresh and new insights and information into major policy issues. The objectivity and impartiality of their research work can be of great value to intergovernmental deliberations. Their potential contributions could be further promoted through enhanced collaboration among them and greater synergetic relations with research-oriented units within the United Nations.

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UNITED
NATIONS

E

Economic and Social Council

Distr.
LIMITED

E/1992/47
26 May 1992

ORIGINAL: ENGLISH

Substantive session of 1992
29 June-31 July 1992
Item 3 of the provisional agenda*

COORDINATION OF THE POLICIES AND ACTIVITIES OF THE SPECIALIZED AGENCIES AND OTHER BODIES OF THE UNITED NATIONS SYSTEM

Policies and activities relating to assistance in the eradication of poverty and support to vulnerable groups, including assistance during the implementation of structural adjustment programmes

Report of the Secretary-General

SUMMARY

The present report, in response to General Assembly resolution 45/264 and Economic and Social Council decision 1992/204, is to be the first of a series of analyses addressing the issues related to the coordination of the policies and activities of the specialized agencies and other bodies of the United Nations system. The report briefly reviews recent developments in the area of poverty that are relevant to the coordination issues raised here, and pays particular attention to the impact of structural adjustment programmes on poverty. Based on input provided by the organs, organizations and bodies of the United Nations system, it outlines the strategies, priorities, policy orientations and programmatic activities of the United Nations system in the area of poverty eradication, including promotion of growth with poverty alleviation, support to vulnerable groups and amelioration of the negative impacts of structural adjustment programmes.

The report accords a special place to the issues of coordination. Since this report is the first to address system-wide issues of coordination under new arrangements, it presents some broad themes related to the nature and

* E/1992/100.

desirable scope of coordination in the system. By providing an overview of the principal mechanisms and channels of coordination, it seeks to identify a frame of reference to facilitate debate and dialogue in the Economic and Social Council on this important subject. The present report examines the present state of coordination in the United Nations system in the area of poverty alleviation and eradication and formulates specific suggestions to improve and strengthen coordinative processes and structures. The need to develop a coherent system-wide framework for action in the area of poverty eradication is identified.

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INTRODUCTION

1. The present report of the Secretary-General is being submitted to the Economic and Social Council in response to General Assembly resolution 45/264 and Economic and Social Council decision 1992/204. By that decision, the Council decided that the coordination segment of the Economic and Social Council of 1992 should be devoted to the coordination of the policies and activities of the specialized agencies and other bodies of the United Nations system related to the theme, inter alia, of assistance in the eradication of poverty and support to vulnerable groups, including assistance during the implementation of structural adjustment programmes.

2. The report has been prepared on the basis of information and input provided by the organs, organizations and bodies of the United Nations system. As a follow-up to the decision of the Council, the Administrative Committee on Coordination (ACC) Task Force on Long-term Development Objectives had decided to consider, inter alia, issues related to poverty alleviation and eradication at its twenty-first session, held from 3 to 6 March 1992. The present report draws on the discussions and conclusions of the Task Force on this subject.

3. This report has made no attempt to present a detailed historical perspective on the problem of global poverty or to analyse its sources and causes, nor does it offer a detailed examination of recent developments in this area or survey the national and international policies that are being pursued or may be desirable for addressing the problem. All these aspects have been amply addressed in a number of recent reports emanating from the United Nations system, the most notable being: the report of the Secretary-General on international cooperation for the eradication of poverty in developing countries (A/46/454), the Human Development Reports published by the United Nations Development Programme (UNDP) in 1990 and 1991, 1/ the World Development Report, 1990: Poverty 2/ and the report by the International Fund for Agricultural Development (IFAD) on "The state of world rural poverty". 3/

4. The present report has a more limited purpose, namely, to provide the Economic and Social Council with a broad picture of the state of coordination within the United Nations system in the field of poverty alleviation and eradication and to identify possible areas for improving and enhancing such coordination. While the information and contributions provided by the specialized agencies and other bodies have been used to present a synthesized and broad overview, the report does not catalogue the assistance and activities of the United Nations system relating to poverty alleviation and eradication.

5. Section I of the report provides a brief description of recent trends with regard to the incidence of poverty in developing countries and effects of structural adjustment programmes on the poor. The focus is on developments in the last decade. The purpose here once again is not to provide exhaustive information on and analysis of the issues involved, but rather to indicate the

context in which the assistance activities of the United Nations system are being carried out. Section II gives a brief overview of United Nations system activities relating to the subject. Section II also attempts to raise some broad issues relating to coordination; reviews United Nations system strategies, priorities and policy orientations relating to poverty alleviation and eradication; and examines the present state of coordination and cooperation in this area. Finally, section III makes a few concluding observations and recommendations that are intended to provide a basis for a productive exchange of views by the Council.

I. RECENT TRENDS RELATING TO POVERTY

A. Poverty: not a new phenomenon, but a growing international concern

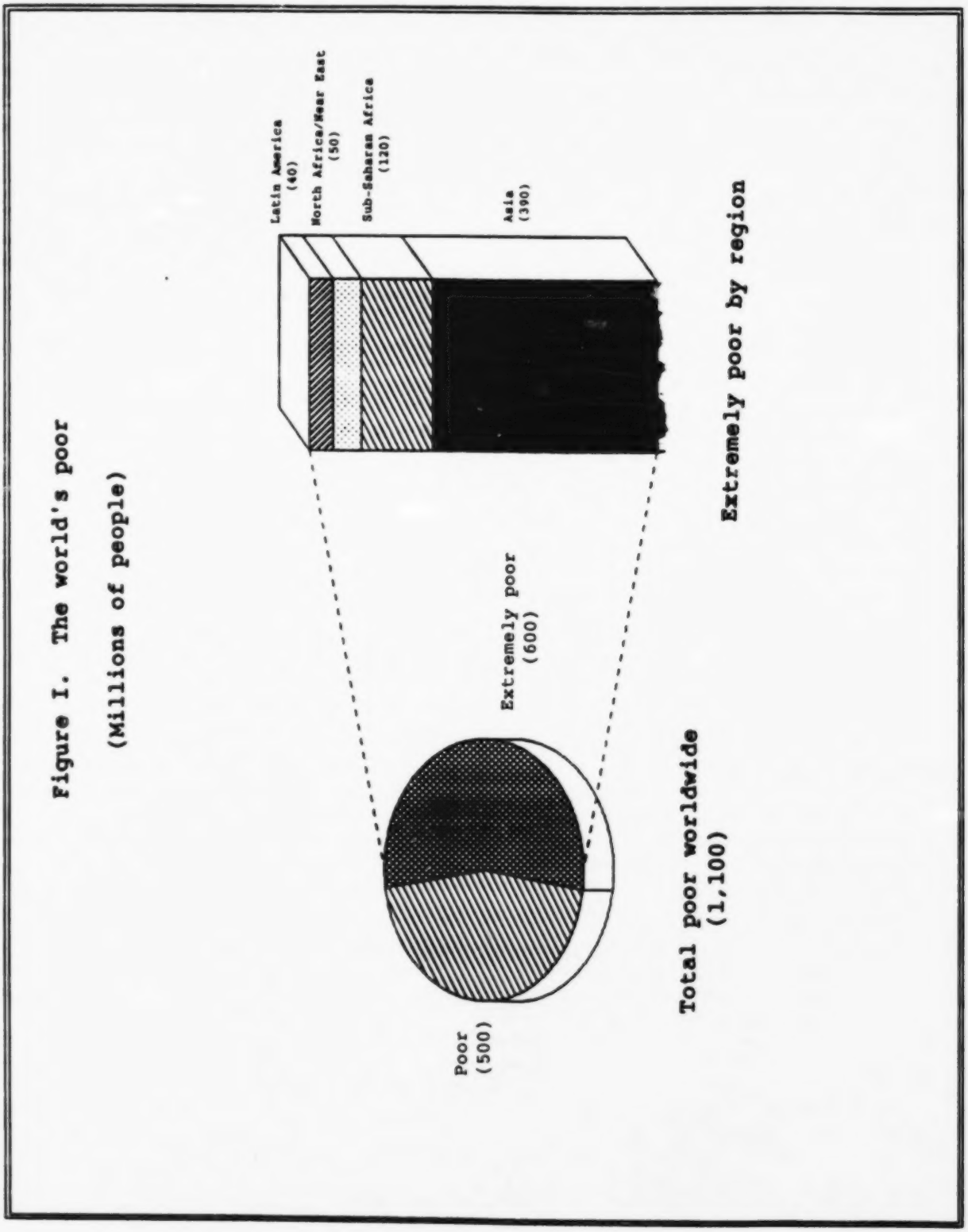
6. Over 1.1 billion people in the world are estimated to live in poverty. Of those over 1.1 billion, over 600 million are considered extremely poor. 4/ (People with annual consumption levels below $370 (1985 dollars) are deemed to be living in poverty. People with consumption levels below $275 are deemed to be living in extreme poverty.) 5/ Of those over 600 million, two thirds live in Asia, where they are concentrated in rural areas with high population densities. In sub-Saharan Africa, the 120 million people who live largely in areas where soils are poor and farming techniques underdeveloped are estimated to be extremely poor. The incidence of extreme poverty is smaller in other developing regions. In Latin America, extreme poverty encompasses 50 million people and is concentrated in the Andean highlands and urban slums and among rural households. In North Africa and the Near East, the extremely poor amount to approximately 40 million people and, for the most part are dispersed in smaller pockets of poverty in rural and urban areas (see figure I).

7. A particular feature of the phenomenon of rural poverty is that female-headed households now account for 20 per cent of all rural households in the developing world (excluding China and India). In sub-Saharan Africa about one third of rural households are headed by women. The number of rural women living in poverty rose over the last 20 years by about 50 per cent (from an estimated 370 million to about 550 million), as against an increase of about 25 per cent for rural men.

8. Public concern over the poor has long been a feature of all societies. Whereas until the mid-1980s the international economic environment and domestic stabilization and adjustment measures took precedence over poverty issues, in recent years there has been a renewed interest in poverty eradication. The economic and social set-backs of the 1980s make this surge of interest in poverty issues all the more timely.

Figure I. The world's poor

(Millions of people)



B. Poverty in the 1980s

9. During the 1980s, poverty's share in total population, although not the absolute numbers of the poor, fell in Asia because of both improvements in India, Pakistan, China and Indonesia and the rapid economic growth of the Republic of Korea, Malaysia, Singapore and Thailand, among others. On the other hand, the greatest set-backs were suffered by sub-Saharan Africa and Latin America, where the combination of external shocks and domestic macroeconomic and structural weaknesses was responsible for poverty rates' increasing both absolutely and in terms of share of total population. In the 1980s per capita output declined by 12 per cent in Africa and 11 per cent in Latin America. When changes in terms of trade and net factor payments are taken into account, the fall in income was even larger: a 22 per cent decline in real incomes in Africa and a 16 per cent decline in Latin America (A/46/454, table 2).

10. According to calculations of the Economic Commission for Latin America and the Caribbean (ECLAC) the incomes of the region's poor, especially the extremely poor, fell proportionately during the 1980s, even more than per capita incomes. 6/ The increases in poverty were concentrated mainly in the urban areas. The growth of poverty in Latin America during the 1980s can be attributed mainly to the spread consequences of shrinking economic activity and declines in domestic expenditures resulting from the effects of the changed international economic environment, high external indebtedness and domestic structural and macroeconomic weaknesses. A severe compression in imports to the region was caused by the obligation to service external debts in the face of depressed commodity markets and sharply reduced inflows of capital.

11. The brunt of absorbing Latin America's external shocks fell mainly on the urban labour force. During the first few years following the onset of the debt crisis in 1982, when imports by the region were reduced by 40 per cent, firms in Latin America laid off many workers. This directly contributed to the rise in unemployment and poverty during the first years of the crisis. 7/ By the end of the decade, there was little sign that firms had restored jobs to previous levels. Moreover, many jobs were lost in some countries owing to cut-backs in public and private sector investments.

12. Despite considerable increases in aggregate agricultural production, the incomes of the rural poor declined in Latin America. This decline was particularly pronounced among the largest rural category of the extremely poor - the landless labourers. According to estimates, between 1980 and 1987 their wages fell by 23 per cent. 8/ The reason for this fall was the rapid growth that occurred in the rural labour reserve because of the diminished prospects of emigrants finding work in urban areas, the labour-saving effects of the agricultural mechanization taking place in the production of commodities for export and the impact of lower international commodity prices in driving out less efficient producers who had traditionally hired workers to help them during periods of peak activity.

13. In Africa, as in Latin America, the external shocks from deteriorating terms of trade had a depressing impact on incomes in the urban areas. Average labour earnings in the urban public sector of Africa declined by 30 per cent during the first half of the 1980s, and the number of workers employed by the formal private sector fell by 16 per cent during those years. 9/ On the other hand, because many countries adopted foreign exchange and producer price policies that reduced earlier distortions and generally improved the domestic terms of trade for rural areas, the burden of falling world commodity prices was felt less by rural population groups and more by urban groups. Moreover, many rural poor were able to retreat into subsistence agriculture as a buffer against the economic crisis. On the whole, therefore, rural incomes stagnated while urban incomes fell.

14. In discussing the impact of international economic shocks on the sub-Saharan poor, several observations need to be made. First, the difficulties of the 1980s aggravated, but did not create, the region's fundamental problems of economic stagnation, inability to expand food production, poverty and lack of resources. Those problems had already become apparent during the 1970s and were arguably a result as much of ineffective domestic policies as of external events.

15. Second, in the rural areas of much of the region, the problems created by economic shocks were secondary in importance to the drought of 1983-1985 and, in some countries, to prolonged armed conflicts between ethnic groups. These climatic and indigenous man-made shocks were the factors primarily responsible for rendering many rural poor destitute, converting large numbers of families into refugees and threatening much of the population with famine.

16. Third, given the traditional ties and sense of mutual obligation binding extended families together, too much of a distinction should not be made between urban and rural incomes. In view of the reduced flow of monetary remittances from urban areas and increased incidence of in-kind remittances of staple foods from rural areas, it is unlikely that purchasing power among the urban poor fell much more than in rural areas.

C. The effects of structural adjustment programmes on the poor

17. During the 1980s and early 1990s many developing countries carried out structural adjustment programmes. To the extent that those programmes accelerate overall economic growth or correct the urban and capital-intensive bias of previous development strategies, they may, in the future, benefit the extremely poor, However, in the short-to-medium run those programmes imposed costs on the vulnerable groups, though in certain cases they also may have conferred some benefits on such groups.

18. Apart from the impact of economic shocks on the earnings of the poor in Africa and Latin America, the fiscal changes resorted to as part of structural adjustment programmes had a bearing on this group's consumption. Those changes included rapid increases in the price of basic goods that the poor

consumed, such as food and kerosene, and in public transport fares; heavier fees and charges for education and health care; and raises in indirect taxes. Because of the heterogeneity of the poor as a group and the different mixes of fiscal changes that Governments adopted, it is difficult to generalize about the net effects of those changes on poverty. However, rapid increases occurred in the real price of wage goods, particularly basic staples, following currency devaluations, subsidy reductions and measures leading to higher producer prices for food.

19. Real food prices also climbed, in some instances in the absence of adjustment programmes, because of hoarding and speculative practices that were often triggered by the rising inflation that the financing of budget deficits by monetary expansion had helped to stimulate. In some African countries, food prices rose mainly because of scarcities due to drought and warfare; sometimes, food imports cushioned these shocks. In general, higher prices affected the caloric intake of the poor (mainly those belonging to urban households or the rural landless) who were not self-sufficient in food production. Thus not all the price increases that occurred during the adjustment period could be attributed to the adjustment programmes.

20. Changes in government expenditures followed a broadly similar pattern in sub-Saharan Africa and Latin America during the past decade. An examination of regional averages suggests that since real per capita gross domestic product (GDP) fell in both regions and the share of Government in GDP remained relatively constant during the decade, absolute declines in public expenditures occurred in all functional areas except interest payments on the public debt. As a share of total expenditure, capital investment and military expenditures declined, the latter to a lesser degree; interest payments surged, general administration remained unchanged and social services declined.

21. As for the intrasectoral allocation of social resources, primary and tertiary education were typically protected at the expense of secondary education, whereas reductions in primary health budgets were often offset by the large-scale adoption of immunization, oral rehydration and other cost-effective interventions.

22. Also, given that the fall in social expenditures paralleled that of GDP, it would seem that a general lack of resources rather than diminished governmental priority for health and education caused the decline in these areas of the social sectors.

23. Close examination of the changes that occurred in real expenditures in the social sectors between 1980 and 1987 shows that the already low levels of real expenditure per student in primary education in sub-Saharan African countries fell by 15 per cent; health-care expenditure also fell by 15 per cent. In Latin America, where per capita social expenditure is roughly five to seven times greater than in sub-Saharan Africa, real per capita expenditure declined by 10 per cent in education and 16 per cent in health (A/46/454, para. 40).

24. However, social indicators during that period generally continued to show improvements in social conditions and levels of living, although the rate of progress slowed in relation to previous decades. Apart from calorie intake levels in Africa, which stagnated during the first half of the 1980s, there was no significant falling-off from trend in social indicators during the decade. Probably, the accumulated effects of past investments in human development explain the apparent resilience of those indicators.

II. THE STATE OF COORDINATION AND COOPERATION IN THE UNITED NATIONS SYSTEM

A. Some issues of coordination

25. Since its substantive session of 1992 will constitute the first occasion where the Economic and Social Council considers system-wide issues of coordination related to a given theme under the new arrangements defined in General Assembly resolution 45/264, it seems opportune to raise some broad issues of coordination as a way of stimulating debate in the Council.

26. In the United Nations, the term coordination has sometimes been applied in the rather narrow and negative sense of identification and elimination of overlaps and duplication among programmes and activities of the organizations of the system and reduction thereby of waste. This interpretation tends to reduce coordination's utility as an operational concept. Approached in such a limited manner, the search for improved efficiency in a system that is not organized on unitary lines but decentralized and federal in character often turns out to be chimerical. The frontiers between the fields of competence of the various member organizations are often blurred since they are all engaged in promoting closely similar goals of development from somewhat varying perspectives. Having their own mandates, priorities and constituencies, they draw up their plans and programmes in response to these imperatives, and it is only natural that some of them seem similar or overlapping. If used in its limited sense, coordination can be reduced to no more than a buzz-word. To programme managers (not without some reason) it can appear a tedious burden - wasteful, time-consuming and costly.

27. On the other hand, coordination can be understood and applied as a qualitatively different, broader concept. Approached more positively, coordination could be understood as a means of working together to achieve common goals. Effective coordination should result in a coherent continuum of activities to achieve a common purpose rather than in dispersed and disjointed actions and efforts by various agencies that are only vaguely interrelated and therefore produce diffused and limited results. The aim should be to achieve a better and more focused use of available resources and greater coherence of action, and therefore greater and more concentrated impact. In this way, coordination, in whatever the chosen field, should enable the family of United Nations organizations to function truly as a system that is more than the sum of its parts.

28. The first step in this process is of course the sharing of information. This seems a rather simple, even simplistic, starting-point; but in reality, sharing of information is often the single most important means of achieving better coordination. The first question that needs to be asked is then how the system can ensure a smooth flow of information among its members and with the outside world that is both timely and in easily usable forms.

29. Moreover, effective collaboration can exist only when there are common purposes that in turn must be the product of consultations and agreement on major priorities and the responses to them. The system must develop its own consensus on the goals in a given field and on the means of action to achieve them. The second question that must then be raised is how the system can develop consensus on overall strategies and approaches on a given theme or goal.

30. The first step in this direction is the setting of political priorities for the system by the central organs, namely, the General Assembly and the Economic and Social Council and their subsidiary bodies. Within this overall framework, sectoral and sometimes intersectoral priorities can be derived from the work of the governing bodies of the organizations of the system in their respective fields of competence. Within so complex and wide a spectrum as is encompassed by the United Nations system, it is not unreasonable to expect situations of a certain dissonance connected with those priorities. Such situations, however, should not be of overly great concern in a system that is composed of autonomous organizations and designed to provide for flexibility of response and maximize comparative advantage from specialized skills and experience. The answer lies in using this state of affairs as a source of creative ingenuity in developing the framework for building consensus for actions, particularly at the field level. The role of the central and sector intergovernmental bodies is then to set standards, norms, policies and goals without attempting to micromanage or direct operational actions at the field level.

31. Having developed overall strategies and approaches, the next step for the organizations of the system would be to use those strategies and approaches as a framework and operational guide in developing harmonized plans and programmes as well as joint evaluation of the results and of impact in the field. In other words, a coherent and harmonized approach to the whole programming and project cycle could be developed and applied. But is coordination on such an ambitious scale possible? Are there any guideposts that can lead the system towards such coherence of action? In short, is real, meaningful coordination possible?

32. Experience has shown that if such substantive coordination is attempted with clearly defined goals or themes (not necessarily encompassing the whole system but bringing together the organizations that, being the most interested and concerned, have worked out a consensus on those goals and the means to be applied in achieving them), the results can be quite impressive. The work done by the United Nations system in assessing the impact of structural adjustment programmes over the past few years, with a number of organizations

coming together to assess that impact, and bringing it to the attention of the international community is a recent example of how the system can assist both the international community and recipient Governments to formulate, modify and evolve appropriate policy responses to pressing issues.

33. Viewed in this broad perspective, the issues of coordination among the organizations of the United Nations system in relation to the goal of poverty alleviation and eradication can be approached by raising such questions as the following:

(a) Whether the United Nations system has promoted at the national and international levels broadly conceived and integrated approaches and strategies for poverty alleviation and eradication to generate autonomous impulses for rural and urban development;

(b) What the essential policy linkages are between poverty eradication goals and the closely related field of human resources development; how possible conflicts arising over the matter of providing support to those who can most benefit from it and to those who are most in need can be reconciled in national development strategies; and how the United Nations system can assist in this process;

(c) How the United Nations system can promote and apply the concept of coherence as the most effective means of coordination between national policies and plans, multilateral and bilateral assistance programmes and activities of other regional and non-governmental organizations working towards the common objective of reducing poverty not only as an end in itself but also as an essential ingredient of accelerated national development;

(d) How the United Nations system can evolve the well-coordinated sectoral and intersectoral anti-poverty strategies that should guide its technical cooperation at the country level; what the lessons are that can be learned from the past so as to identify harmonized actions that have provided successful results; and how those results can be replicated elsewhere;

(e) How the United Nations system can promote low-cost and broad-based interventions for poverty alleviation in an environment of limited resources;

(f) How the United Nations system can integrate innovative anti-poverty approaches developed within or outside the system (for example, local taxation, private sector involvement, an informal sector approach and community-based development) into its policies and programmes to enhance cost-effectiveness and improve delivery and impact.

34. The following review of United Nations system strategies, priorities and policy orientations, as well as of inter-agency coordination and cooperation in poverty alleviation, is intended to indicate how the United Nations system has attempted to respond to some of these questions.

B. Eradication of poverty: United Nations system strategies, priorities and policy orientations

35. The International Development Strategy for the Fourth United Nations Development Decade, which currently provides the broad framework for the policies and programmes of the United Nations system, states: "The international community, noting the severity of problems related to poverty in developing countries, agrees that the objectives of eradicating poverty is of the highest priority. It is encouraging that a broad consensus is emerging on strategies to be pursued towards the achievement of this goal". 10/ It also identifies the principal elements of the strategies that need to be pursued for poverty alleviation and eradication.

36. The International Development Strategy recommends broad-based progress in development as the best way to generate employment and incomes for most of the poor and advocates special and supplementary programmes and actions that are directly targeted to bring benefits to the poorest and most vulnerable of the poor. In the long term, it concludes, economic growth is necessary to raise living standards and eliminate poverty, but in the interim the extremes of poverty, particularly hunger and destitution, could be reduced by well-conceived social measures.

37. Within this overall framework, a broad consensus appears to have emerged among the development agencies of the United Nations system regarding the approaches to poverty alleviation and eradication. First, it is generally recognized that any approach to the problem must involve policies promoting broad-based economic growth to absorb the poor's most abundant resource - labour. More specifically, this can be interpreted as defining growth-oriented programmes designed to maximize benefits for the poor and minimize adjustment costs.

38. The second essential element of any approach to addressing the problem involves the provision of and access to social services for development of human resources: primary education, basic health care, family planning and nutrition targeted at the poor. The aim here is the empowerment of the poor and their active participation in the development process. In addition, a comprehensive approach to poverty alleviation also requires a programme of well-targeted transfers and safety nets to sustain many of the poor who would not be able to benefit from economic growth.

39. In addition to this general understanding on approaches to poverty eradication, the urgency and high priority of the problem is clearly recognized by all concerned organizations of the United Nations system. Several agencies and programmes have identified poverty alleviation and eradication as a high-priority objective in their activities and assistance programmes.

40. In response to various mandates from the General Assembly, the United Nations has intensified research and analysis of various facets of this issue at the national and international levels and presented results and policy

recommendations to intergovernmental bodies. Poverty alleviation and eradication have also become a central focus of United Nations technical cooperation activities.

41. The World Bank, following the publication of its World Development Report, 1990: Poverty, has defined poverty eradication as a principal objective of its assistance programmes. It has developed, after extensive consultations with agencies and organizations of the system, operational strategies for assistance to reduce poverty at the country level, including such measures as analysis of policies and public expenditures from a poverty-reduction perspective; financing of projects and programmes that support and enhance country efforts to reduce poverty, involve beneficiary groups in project and programme design and implementation and monitor country performance on poverty reduction; and the Bank's own contribution through dialogue and lending, coordination with other agencies to share experiences and strengthen the effectiveness of assistance for poverty reduction and helping countries to improve data gathering. Progress is being made in the implementation of this strategy. Some 20 poverty assessments have been undertaken and 64 are planned by 1995. This has helped to strengthen the policy dialogue on poverty reduction and orient the lending programmes in ways that clearly support Government's efforts to reduce poverty. One measure of the Bank's efforts to reduce poverty is the magnitude of those designed to benefit the poor directly: during 1991-1992, it is estimated that 12-15 per cent of Bank lending is being targeted at the poor. However, such lending is only one element of the Bank's efforts to reduce poverty; a complete picture can be obtained by assessing the poverty-reduction orientation of the overall country strategy including policy framework, investment and policy lending.

42. UNDP has identified poverty eradication as one of six top priorities during its fifth programming cycle. The heart of its approach focuses on building up and strengthening national development capacities. Poverty eradication is viewed as closely linked to its human development goals, which encompass, inter alia, income generation, creation of employment opportunities and provision of greater access for the poorest and most vulnerable groups, especially women, to health care, nutrition, education and training and shelter. UNDP will focus on poverty eradication through grass-roots participation in development during 1992-1996. New approaches will be developed, including targeting methods and the involvement of beneficiaries in the design, management and evaluation of programmes. Emphasis will be given to primary education, family planning and primary health care to make these services accessible to all. Assistance in the various regions will involve, inter alia, raising the capacity of community-based organizations, non-governmental organizations and government institutions to respond to the needs of the poor, especially in the rural and informal sectors, through education, training and exchange of experience and the promotion of food security targeted at small-scale producers. The United Nations Children's Fund (UNICEF) has traditionally devoted an overwhelming part of its resources to survival, protection and development of children with special emphasis on targeting the poor and the underserved. It considers empowerment of the poor

through their active participation in poverty-alleviation measures as a key element of an anti-poverty strategy. It uses a triple-A approach - assessment, analysis and action - as a reinforcing cycle.

43. The principal goal of the World Food Programme (WFP) is to use food aid to alleviate hunger and poverty and thereby assist the poor in leading more productive lives. Its aim is to use work-for-food projects to generate more lasting benefits such as the construction of infrastructure, skill training, primary health care, education, environment protection and income-earning opportunities for the poor. The ultimate aim of the International Fund for Agricultural Development (IFAD) is to promote sustainable and replicable rural development at the grass-roots level. It devotes most of its resources to the alleviation of rural poverty through its programmes of assistance to smallholders and the landless. Its operational strategies are designed to ensure the participation of beneficiaries and innovative means of reaching the poor, particularly women, the landless and the near-landless. IFAD supports the wider participation of women in development. This support includes enhancement of women's role in land allocation, extension services and support for women's access to productive resources. In order to contribute to the alleviation of poverty through effective population policies and programmes, the United Nations Population Fund (UNFPA) has revised its criteria and threshold levels (based on which countries are accorded priority status for UNFPA assistance in terms of per capita income, annual increments to the total population, levels of infant mortality, levels of female literacy, agricultural population density and gross reproduction rates). UNFPA has also shifted its funding to poorer countries to the extent that over 70 per cent of all UNFPA assistance went to priority countries in the 1980s. (This figure should be reaching 80 per cent in the 1990s).

44. The International Monetary Fund (IMF) considers sustained, high-quality growth in the context of a stable and favourable macroeconomic policy framework an essential basis for any meaningful programme for the alleviation and eradication of poverty. While the main emphasis of Fund programmes is on macroeconomic policies, it is recognized that certain measures under the programmes could, in the short run, have adverse effects requiring mitigating measures. Accordingly, the Fund has been paying increasing attention to specific measures that would protect the poor and vulnerable sections of the population. Concern for social issues has led to the paying of closer attention to the mix, and pace of implementation, of adjustment policies and the incorporation of social measures. The Fund, through its programmes, provides both technical and financial assistance, the latter especially by means of its concessionary facilities, namely, the Structural Adjustment Facility (SAF) and the Enhanced Structural Adjustment Facility (ESAF).

45. The International Labour Organisation (ILO) has identified fighting poverty as one of the three broad priority themes for its future work. It considers policies for higher growth, job creation, infrastructure development and access to health care, education and training, and balanced programmes for the development of rural and informal sectors, essential for reducing poverty. It is working closely with the IMF and the World Bank to mitigate

the negative effects of structural adjustment programmes by improving their social content. The Food and Agriculture Organization of the United Nations (FAO) has been traditionally concerned with fighting rural poverty. FAO has monitored trends in rural poverty and adopted programmes for its alleviation particularly in the context of the Programme of Action of the World Conference on Agrarian Reform and Rural Development held in Rome in July 1979. FAO monitors continuously the food supply situation in the developing countries by means of its Global Information and Early Warning System (on Food and Agriculture) (GIEWS). FAO's work reflects the combining of several complementary spheres of action: promotion of production and growth in the agricultural sector, especially among small-scale farmers, fisherfolk, foresters and agricultural labourers, as well as rural artisans, entrepreneurs and cooperatives; advocacy and technical assistance for improving the access of the poor to productive resources; human resources development of the poor through the implementation of national food policies and nutrition interventions; promotion of food security initiatives, especially with respect to actions that improve access by the poor; and measures to mitigate the impact of structural adjustment on vulnerable population groups. The World Health Organization (WHO) is committed to health for all by the year 2000 and to enhancing the access of the poorest and most vulnerable groups to primary health care. It views health expenditures as an investment to improve human capital through well-designed policies and programmes. The United Nations Industrial Development Organization (UNIDO), in its efforts to promote industrial development, pays particular attention to the promotion of small- and medium-sized enterprises that contribute significantly to enhancing the income-generating capacity of the poor. UNIDO is institutionalizing the ability to address women's issues as a means of alleviating poverty by including gender-specific indicators in the design and implementation of its projects.

46. The Office of the United Nations High Commissioner for Refugees (UNHCR) is concerned with the effects of refugee flows and displaced persons on poverty. Poverty is a cause as well as a consequence of refugee flows and involuntary population displacement. Political instability often results from situations of abject poverty and could give rise to refugee flows. Mass concentration of displaced populations could in turn result in degradation of already-fragile socio-economic infrastructures of given communities. There is therefore a need to disaggregate the effect of poverty on given refugee/displaced person categories so that specific measures can be directed at the most vulnerable, especially the elderly, the handicapped, women and children.

47. The United Nations Environment Programme (UNEP) is acutely aware that environmental degradation can be a major cause of poverty. The relationship of earth sustainability and development to enabling people everywhere to enjoy long, healthy and fulfilling lives is recognized by UNEP's strategy entitled "Caring for the Earth". 11/ The strategy highlights the importance of the appropriate use of natural resources and a more equitable alliance between rich and poor. It takes into account the relationship between poverty and the environment, stressing the need for lower-income countries to develop industry

and agriculture to escape from acute poverty within a process that considers the environment and social costs incurred by both developed and developing countries.

48. Following the mandate arising from its eighth session and in recognition that sustainable development and the environment and poverty alleviation, among other issues, are mutually linked, the United Nations Conference on Trade and Development (UNCTAD) will be exploring, for example, the areas of interaction between trade and environmental policies, the promotion of ecologically sustainable development, the links between commodity policies and use and management of natural resources. Attention to poverty mitigation will be included in efforts related to the development, modernization and expansion of the economic base of developing countries, the development of human capacities and resources and the question of the link between poverty and environmental degradation.

49. The United Nations Centre for Human Settlements (Habitat) has supported the UNDP regional programme on critical poverty, covering its human settlements component.

50. The backlog in delivery of housing, basic infrastructure, services and social facilities coupled with budgetary restrictions due to structural adjustment programmes prompted the development of a strategy for productive urban communities where capital investment was directed towards the strengthening of the informal economy and income generation among the poor to allow in turn for settlement improvement operation. With the regional project concluded, the strategy is now being applied at the national level for the benefit of selected communities and, further, for regional and global dissemination. The United Nations Centre for Human Settlements (Habitat) and the Ford Foundation are collaborating in funding a research competition on urban poverty in eastern and southern Africa.

51. The objective of the United Nations International Drug Control Programme (UNDCP) has been to combine the eradication of illicit crops with redevelopment of the areas, so that farmers may earn their living by legitimate means and contribute to the reduction of rural poverty. UNDCP programmes and projects follow this approach in the provision of assistance to large-scale integrated rural development.

52. The integrated rural development programmes of the Department of Economic and Social Development of the United Nations Secretariat emphasize the participation by poor rural communities and vulnerable groups in the improvement of their productive capacity in agriculture, marketing, small and cottage industries, construction of feeder roads, water-supplies and credit facilities. The Department of Economic and Social Development is promoting the development of small-scale labour-intensive mining to foster employment for rural labour with low-level skills.

53. Recognizing that a major objective of social development is the eradication of poverty, the Economic and Social Commission for Western Asia (ESCWA) examines the social dimensions of rural development with the purpose

of developing appropriate policies and programmes. Strategies and measures adopted at the national level in respect of the less advantaged groups, particularly the very poor, in both rural and urban areas, are also monitored. Within the context of the survey of social trends and social indicators for the region, indicators on poverty will be developed.

54. With regard to the Economic and Social Commission for Asia and the Pacific (ESCAP), the eradication of absolute poverty is a basic objective of the regional social development strategy towards the year 2000 and beyond. Related work will include the analysis of the interrelationship of poverty and economic and social issues, and the development of growth strategies for poverty alleviation. The work of the Economic Commission for Latin America and the Caribbean (ECLAC) includes the design of policies and programmes to eradicate extreme poverty and innovative approaches to measuring and evaluating poverty and to improving opportunities for the poor.

55. Other organizations' regular activities, while not addressing explicitly the problem of poverty, indirectly contribute towards its alleviation and eradication. For example, the International Telecommunication Union (ITU) accords higher priority to rural telecommunications services that are of particular value to developing countries and rural areas of developing countries in matters related to critical information on drought, desertification and natural disaster situations. The World Meteorological Organization (WMO) is providing climatic forecasts that benefit agriculture and the protection of the environment. The International Maritime Organization (IMO), within its scope of competence in the maritime sector, contributes to the alleviation of poverty by providing support and technical cooperation for improvement of the maritime infrastructure and development of a modern and efficient merchant marine.

56. It may be noted from the above that the policies and programmes of the United Nations system of organizations that have implications for the eradication of poverty are in general oriented towards long-term development. Many organizations have therefore been giving continuous attention to the problem of poverty for a long time. However, the development-related set-backs of the 1980s and a growing concern over the inadequacies and shortcomings of the development models pursued have given rise to considerable rethinking within the United Nations system on the subject of the sources of growth, and such rethinking has led to the emergence of a new style and paradigm of development. Thus, there has been a major shift towards human-centred, participatory development with poverty eradication as one of its principal goals. Since women constitute a disproportionately large part of the poor, improving their economic status and protecting vulnerable groups are a key element of this new style of development. The World Bank, IFAD, UNDP, UNICEF, UNFPA, WFP, ILO, FAO, WHO, UNIDO, UNHCR, the Department of Economic and Social Development of the United Nations Secretariat, ESCWA, ESCAP, the Economic Commission for Africa (ECA) and ECLAC, among others, have developed well-conceived policies and assistance programmes designed to address the problems of poverty alleviation and eradication as a priority objective.

C. Assistance for human development and safety nets

57. Growth-oriented anti-poverty strategies cannot be successful without complementary measures to enhance human capabilities of the poor and to provide safety nets for the vulnerable groups.

58. In the social sphere, the World Bank's assistance is focused on the protection of the most vulnerable groups through programmes in such areas as immunization, feeding and basic health care. Where administrative capacity is developed, the Bank will assist in the provision of safety nets. Evaluation of the appropriateness of public policy, especially the adequacy of basic social services, will guide both the Bank's policy recommendations and its programme of assistance.

59. The need for a better integration of the social dimension into adjustment programmes has led to the IMF's incorporation into those programmes of social measures encompassing, inter alia, direct consumer subsidies, income transfers, public works programmes and protection of social expenditures in the public sector. Longer-term structural policy measures, on the other hand, include the promotion of small-scale enterprises, food security, population planning and protection of the environment. Besides financial assistance, technical assistance of the International Monetary Fund promotes the improvement of databases and the strengthening of national capabilities to carry out adjustment policies.

60. The approach to human development espoused by UNDP involves the revitalization of public sector services accessible to all, such as primary education, literacy, family planning and primary health care. Advocacy of the restructuring of public expenditure away from military purposes towards human development goals was a key feature of Human Development Report, 1991. In a complementary fashion, UNFPA has suggested a long-term strategy involving both Governments and international agencies to restructure spending in favour of the social sectors, with emphasis on primary health care including family planning. UNFPA-supported activities have been primarily oriented towards less developed countries and low-income groups, with special emphasis on women of reproductive age.

61. In the social sphere, the WFP strategy for the alleviation of poverty involves the provision of emergency food, support to basic social services such as health and education and the recent modality linking provision of food with opportunities for appropriate training. To target benefits at the most vulnerable groups, including women, WFP carries out several assistance programmes addressing their needs, including one providing food supplements to poor women combined with training programmes and access to credit.

62. Meanwhile, ILO will be assisting member States in the development of safety nets within the context of providing security for marginalized groups. FAO is carrying out work on nutrition, which will be strengthened by the forthcoming International Conference on Nutrition to be held in 1992. The World Food Council advocates development and aid policies that include access

to social services by the poor and safety nets for this group of the population. Together, FAO, WHO and the Council are collaborating on the execution of a programme to set targets for hunger alleviation at the country level. The Council will focus on the elaboration of policies and programmes for reaching the targets.

63. UNHCR is aware that in any consideration of the root causes of population displacements, poverty is often a factor along with others that are more pressing, such as human rights abuse and civil disorder. Also, the durability of solutions to refugee situations, especially voluntary repatriation, is influenced by the socio-economic situation of the country to which the refugees are returning. Related efforts of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA), directed to the provision of assistance to refugees in the Middle East in the fields of education, health, and relief and social services, have been extended to include assistance in the protection of vulnerable groups within the refugee population. The relief and social services programme provides support (including emergency medical assistance, welfare services and additional food) to the neediest among the refugees in special hardship cases. In the area of human development, the integrated development projects of the Department of Economic and Social Development of the United Nations Secretariat advise on and facilitate basic health care, education and training.

64. The Cartagena Commitment of UNCTAD at its eighth session stresses development of human resources, especially as they concern women; provision of basic public goods and social services; and provision of economic and social safety nets and of assistance to disadvantaged groups to ease their access to market opportunities.

65. Provision of social services and social safety nets is a basic objective of ESCAP's regional social development strategy towards the year 2000 and beyond. In the social area, ESCWA plans an assessment of the impact of the Persian Gulf conflict on returnees and their families to determine the magnitude of the social, educational, health, and employment problems facing the displaced populations. The 1992-1993 work programme envisages activities directed at drug addiction (as one of the social ailments associated with poverty) in the ESCWA region.

D. Assistance by the United Nations system during adjustment programmes

66. As a large number of developing countries are engaged in structural adjustment and economic reform programmes, one of the most pressing demands facing the development agencies is to design programmes to mitigate the costs of adjustment for the vulnerable groups and to identify an optimum mix of adjustment policies that would minimize the negative impact on poverty and maximize benefits for the poor. Many organs and agencies of the United Nations system are, consistent with their mandates, closely involved in this type of work.

67. For instance, the World Bank will continue to conduct systematic efforts to analyse poverty, and those efforts will help in the modification of the lending strategy to protect vulnerable groups. The IMF has been paying increasing attention to measures that would protect the poor. Adjustment programmes have included efforts in the areas of promotion of small-scale enterprises, redeployment and retraining of retrenched public-service employees, food security, population planning and protection of the environment.

68. Initiatives in support of multisectoral programmes that combine developmental objectives and efforts to minimize the impact of structural adjustment programmes are exemplified by the multisectoral Social Dimensions of Adjustment (SDA) programme in Africa, launched in 1987 as a joint undertaking of the World Bank, UNDP and the African Development Bank. UNFPA and the United Nations are also collaborating in this programme. UNDP focuses on the strengthening of national capacities for policy formulation and analysis and on long-term strategic planning, and UNFPA input is designed to integrate population growth and distribution factors, while the United Nations has recently developed computerized programs to help in the monitoring of the social impacts of adjustment at national levels.

69. The assistance programmes and activities of UNDP, IFAD, UNFPA, UNICEF, FAO, WHO, ILO, UNCTAD, the United Nations, UNEP, ECLAC, ESCAP and ECA reflect increased awareness of the short-term impacts of adjustment programmes, particularly on the weaker and most vulnerable sectors of the population. Broad programmes directed towards assessing the impact of these adjustment programmes on the rural and urban poor; improvement of design; and implementation of programmes to minimize adverse effects of adjustment on employment and poverty, involving the assessment of its impact on low-income and vulnerable groups and on the restructuring of agricultural institutions, are but a few of the related activities of these organizations.

70. The Joint Consultative Group on Policy (JCGP), established by UNDP, IFAD, WFP, UNFPA and UNICEF has created a Subgroup on structural adjustment, which is developing a collaborative JCGP mechanism for assessing the impact of adjustment measures and establishing country-level bases for JCGP contributions to policy dialogue on adjustment programmes and their modification. Thus, the Group envisions closer collaborative negotiations with the IMF in order to ensure that the design and implementation of adjustment programmes take into account the social dimension. Support is being provided by UNDP to national capacity-building for developing macroeconomic strategies, with special attention to equity, focusing on the poorest groups of society, particularly women and migrant workers. UNICEF, following its alert on the possible effects of adjustment programmes in the short to medium term, addresses the related problems of the poor within the framework of its mandates, focusing on the well-being of children and women.

71. ILO stresses the fact that adjustment and deregulation may introduce new forms of social insecurity and an initial aggravation of poverty. Its efforts will include policy-oriented research and a measure of experimentation to identify optimum economic and social regulation and elements of social protection compatible with the demands of efficiency and a lower level of state intervention. FAO continues work on matters related to the alleviation of the impact of structural adjustment on the agricultural sector and in particular on rural development, including research and studies to analyse the impact of adjustment programmes on communal property and farmers' access to natural resources.

72. Salient activity of ECA is represented by its commitment, early in 1989, to the development of an alternative to the framework of structural adjustment programmes to address both adjustment and structural transformation problems of the African economies. With the financial support of UNDP, this activity has included discussions at the intergovernmental level and that of the Bretton Woods institutions and has made it possible for ECA to prepare the African Alternative Framework to Structural Adjustment Programmes for Socio-economic Recovery and Transformation (AAF-SAP). ESCAP under the Project on the Social Costs of Economic Restructuring deals, among other things, with the impact of austerity programmes, balance-of-payment adjustments and privatization schemes on income levels and quality of life. ESCWA will also focus on issues related to adjustment policies and reforms with a view to assessing their impact, including reduction of subsidies and other public expenditures, on economic growth and development, regional and subregional cooperation and vulnerable groups.

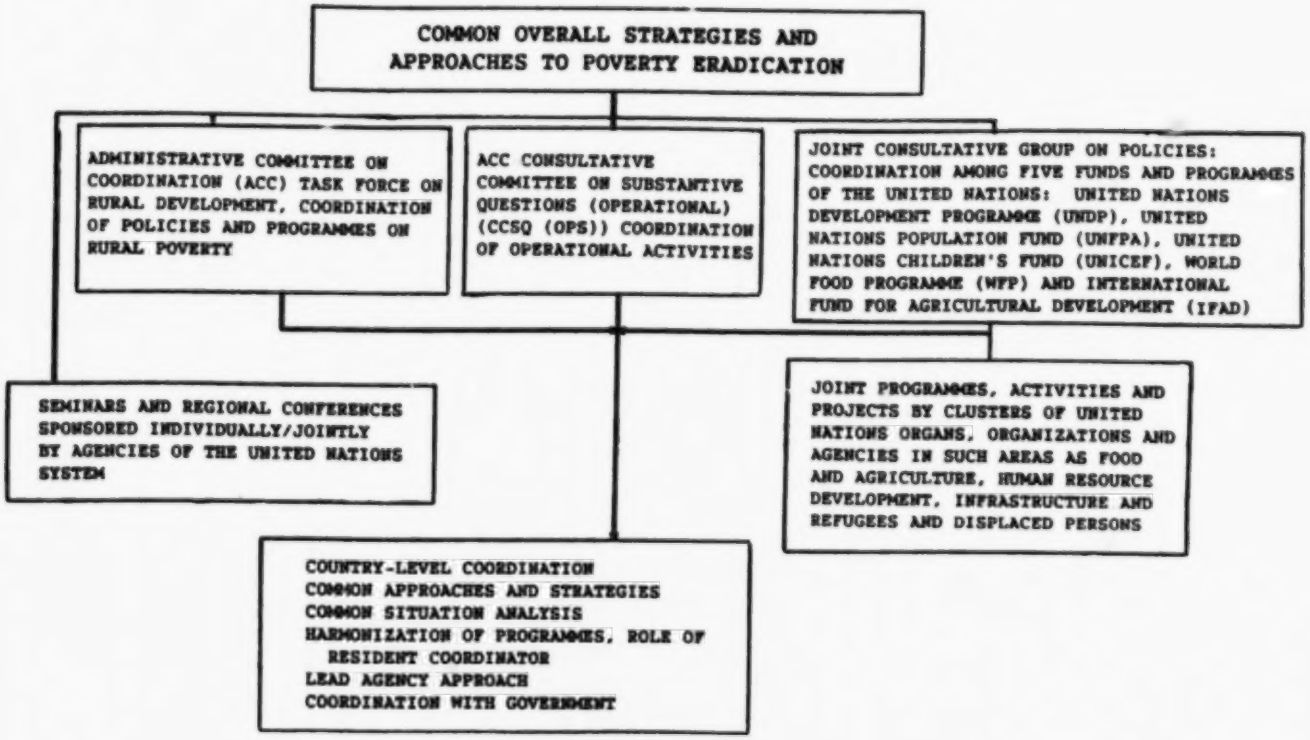
73. This brief review of the activities of the United Nations system has not been exhaustive, but is intended to highlight the evolution of the broad priorities, strategies and policy orientations as well as the changing directions of the system's assistance programmes in the area of poverty eradication. The following section examines the state of cooperation and coordination within the United Nations system in this field.

E. Inter-agency coordination and cooperation

74. The progress made over the past few years in achieving a broad consensus on approaches to and strategies for poverty alleviation and eradication is reflected by the considerable improvement that has occurred in inter-agency coordination and cooperation in this area.

75. A variety of mechanisms and channels, both formal and informal, are employed for inter-agency coordination and cooperation in the area of poverty (see figure II). The ACC Task Force on Rural Development, which has a membership of 31 agencies and organizations, is directly concerned with rural poverty alleviation. The Task Force provides a forum for exchange of information on agency activities in rural poverty alleviation/rural development, discussion of key emerging issues in this area and promotion of coordination and collaboration between agency programmes, besides being

Figure II. Alleviation and eradication of poverty: United Nations system coordination


COMMON OVERALL STRATEGIES AND APPROACHES TO POVERTY ERADICATION
ADMINISTRATIVE COMMITTEE ON COORDINATION (ACC) TASK FORCE ON RURAL DEVELOPMENT, COORDINATION OF POLICIES AND PROGRAMMES ON RURAL POVERTY
ACC CONSULTATIVE COMMITTEE ON SUBSTANTIVE QUESTIONS (OPERATIONAL) (CCSQ (OPS)) COORDINATION OF OPERATIONAL ACTIVITIES
JOINT CONSULTATIVE GROUP ON POLICIES: COORDINATION AMONG FIVE FUNDS AND PROGRAMMES OF THE UNITED NATIONS: UNITED NATIONS DEVELOPMENT PROGRAMME (UNDP), UNITED NATIONS POPULATION FUND (UNFPA), UNITED NATIONS CHILDREN'S FUND (UNICEF), WORLD FOOD PROGRAMME (WFP) AND INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (IFAD)
SEMINARS AND REGIONAL CONFERENCES SPONSORED INDIVIDUALLY/JOINTLY BY AGENCIES OF THE UNITED NATIONS SYSTEM
JOINT PROGRAMMES, ACTIVITIES AND PROJECTS BY CLUSTERS OF UNITED NATIONS ORGANS, ORGANIZATIONS AND AGENCIES IN SUCH AREAS AS FOOD AND AGRICULTURE, HUMAN RESOURCE DEVELOPMENT, INFRASTRUCTURE AND REFUGEES AND DISPLACED PERSONS
COUNTRY-LEVEL COORDINATION
COMMON APPROACHES AND STRATEGIES
COMMON SITUATION ANALYSIS
HARMONIZATION OF PROGRAMMES, ROLE OF RESIDENT COORDINATOR
LEAD AGENCY APPROACH
COORDINATION WITH GOVERNMENT

involved in the joint undertaking of specific activities. For example, the Task Force is currently undertaking joint studies related to poverty alleviation in three areas. The work entails respectively (a) a study on the role of small-scale rural industries in rural poverty alleviation, (b) a paper on an enabling approach to shelter improvement in rural areas as a contribution to sustainable rural development and poverty alleviation and (c) paper(s) on environmental issues in monitoring and evaluation of rural development.

76. The ACC Consultative Committee on Substantive Questions (Operational) (CCSQ (OPS)) is another important instrument for inter-agency coordination and cooperation focused on technical cooperation activities of the United Nations system, particularly at the country level. The Committee not only serves as a forum for exchange of information on policies and programmes, but also promotes harmonization of programme and project cycles and activities at the field level. Recently, the Committee has been paying particular attention to the follow up of the International Development Strategy for the Fourth United Nations Development Decade. It has prepared and issued information and an initial guidance note on the operational implications of the strategy in the field. CCSQ (OPS) has also invited its members to consider the need for inter-Secretariat action at the Headquarters level to develop common strategies around the priority themes of the strategy including poverty eradication. Organizations are being invited to take the lead in appropriate sectors/themes to develop the elements of such strategies as a basis for consultations and elaboration by other interested organizations. CCSQ (OPS) is expected to consider this issue further at its session in 1992.

77. A third important mechanism for coordination is the Joint Consultative Group on Policy (JCGP), which comprises the five operational funds and programmes of the United Nations: UNDP, UNFPA, UNICEF, WFP and IFAD. It was set up in 1981, initially as a forum for the exchange of information, so as to strengthen programme coherence and coordination. Its role has evolved over time and JCGP increasingly focuses its attention on identifying areas of common interest and collaboration. The executive heads of the JCGP agencies who meet every year issue joint directives to their field representatives stressing the need to strengthen coordination in identified substantive areas. Regular meetings are held at the field level among JCGP agencies to exchange information on current and planned operational activities.

78. In 1988, a JCGP high-level meeting was devoted to the theme of "Achieving Better Adjustment Process: the Inter-Agency Role". The meeting stressed the need to ensure an appropriate policy environment so as to mitigate the negative impact of adjustment on the poor and other vulnerable groups. This meeting had a significant impact on the way adjustment issues have since been treated by the financial institutions concerned. It has increased sensitivity to the possible negative consequences of adjustment programmes for vulnerable groups. The JCGP has also set up subgroups on adjustment and on Africa and has entered into discussions with the IMF.

79. In 1990, JCGP held a high-level meeting on "Poverty Alleviation: a Global Challenge". The meeting agreed that JCGP could adopt poverty alleviation and human development as a focus for the collaborative efforts of its five constituents. It was also agreed that among the poor, women are doubly disadvantaged, being victims of poverty and sex discrimination. Their multiple roles in the formal and informal labour force must be facilitated if poverty is to be reduced. It was agreed that the five JCGP agencies would initiate a process of operational collaboration to combat poverty in five selected developing countries - Bolivia, Malawi, Namibia, the Philippines and Yemen. (Bangladesh has been added subsequently to this list.) Since then considerable progress has been made in this regard. In Malawi, for example, a joint situation analysis of poverty carried out by JCGP and the World Bank under the leadership of the Government has been used as a basis for joint programming exercises and harmonized five-year programmes that respond to the same set of issues and problems. Similar work is under way in Namibia. Another important area identified for cooperation was that of promoting the generation of better country-level data on poverty.

80. Apart from these established mechanisms for coordination and cooperation, several agencies and organizations of the system have taken important initiatives to strengthen inter-agency collaboration for poverty alleviation in their respective fields and in the design and implementation of structural adjustment programmes. Thus the IMF, for example, cooperates actively with the World Bank in helping member countries to devise their medium-term adjustment programmes. This cooperation also extends to implementation and subsequent review of those programmes. Many of the structural adjustment policies and objectives inscribed in the Policy Framework Papers (PFPs), or in other Fund-supported programmes, fall more directly within the mandate of other international agencies, and the Fund has taken steps to enhance cooperation with these organizations in addition to the World Bank.

81. With this in view, the Fund convened a joint seminar with relevant agencies of the United Nations system in October 1990 to delineate possible areas and modalities of cooperation, relating to social and sectoral aspects of adjustment. The principal conclusion of that seminar was that the Fund/World Bank-supported macroeconomic policy framework for individual countries could provide a useful framework for inter-agency cooperation and that a greater exchange of documents and information between the agencies could enhance inter-agency cooperation. Furthermore, the seminar concluded that such cooperation was best implemented at the country level. Some progress has been made in follow-up of these recommendations, and the agencies are being consulted increasingly in the process of preparing the Policy Framework Paper and are becoming involved in the implementation stage.

82. The World Bank has held extensive consultations with the agencies and organizations of the United Nations system, among others, in developing its assistance strategies to reduce poverty. The Bank has expanded this collaboration in the preparation of its operational guidelines in a Poverty Reduction Handbook 12/ that surveys Bank experience and provides guidance to Bank staff on "best practice" approaches, illustrating relevant lessons

derived from research and operations. A seminar was held for agencies of the United Nations system in November 1991. The United Nations organizations present made many helpful comments and their suggestions are being incorporated in the Handbook. There was broad agreement on the proposed overall approach to poverty reduction. There was also consensus on the specific ways of operationalizing this approach, for example, through country-specific poverty assessments and assistance strategies and a recognition of the need for development assistance agencies to coordinate their efforts, possible through cooperation in selected countries. Furthermore, there was consensus on the importance of addressing data problems jointly. There was also recognition of the need both for continuing research and analysis to improve the design of policies and programmes, and for documenting alternative approaches to the design of poverty reduction programmes. At the country level, the Bank is actively considering proposals to coordinate work with UNDP, UNICEF and IFAD in specific countries on preparation for or follow-up to both poverty and human development assessments. There is also scope for identifying more clearly how each agency's programme fits into the country-level poverty reduction strategy to avoid duplication and minimize the risk of working at cross purposes. The sharing of results would also help coordinate and stimulate both donor and country efforts to reduce poverty. At the country level, this would include consultative group meetings and other aid-coordination mechanisms.

83. World Bank/United Nations system coordination at the project level has been extensive and actively continues. Traditional areas of project-level coordination in poverty reduction projects include the conducting of pre-investment studies and studies to identify follow-up investments, the cofinancing of specific components of investment and the cofinancing of prototypes or more innovative schemes. Recently, there has been coordination with the United Nations system in the design of social funds and social action programmes that complement structural adjustment loans. Coordination enables countries to benefit from each agency's comparative advantage. For example, the Bank's coordination with UNICEF has allowed more in-depth involvement in grass-roots issues. In addition, because UNICEF operations are more decentralized than the Bank's, coordination with UNICEF has facilitated the addressing of problems in the field as they emerge.

84. To strengthen its knowledge and information base on poverty reduction, the Bank coordinates policy analysis work with other agencies of the United Nations system. For example, UNDP and the World Bank are collaborating on the Water and Sanitation Programme, which aims at developing strategies for reaching the poor through community-based institutional models and low-cost technologies. UNDP and the Bank are also cooperating on social science research; for example, UNDP is financing a Bank study on urban poverty and social policy in the context of adjustment. The Bank serves as executive secretariat for the Safe Motherhood Inter-Agency Group (WHO, UNFPA, UNDP, UNICEF, the Population Council and the International Planned Parenthood Federation (IPPF), which supports analytical work on the subject of safe motherhood. Another example of cooperative work is the Bank-UNDP Energy Sector Management Assistance Programme (ESMAP), which includes a household

energy component for the poor. The Bank's two major initiatives in establishing country capacities in gathering data on poverty through household surveys are the Living Standards Measurement Study (LSMS) and the Social Dimensions of Adjustment (SDA). The United Nations system has been involved in the design and formulation of the analytical framework of SDA through the SDA Statistical Subcommittee. Coordination of country-level operations has been attempted through joint missions, particularly countries where both the National Household Survey Capability Programme (NHSCP) of the Statistical Office of the United Nations Secretariat and the Bank's LSMS/SDA programmes are in place.

85. In the case of IFAD, the agreement establishing the Fund calls for a significant involvement by other agencies of the United Nations system in the preparation of projects that are in most instances directly related to poverty alleviation. The World Bank and the regional development banks along with the United Nations Development Programme have appraised a number of projects on behalf of IFAD. The Investment Centre of FAO has mounted 42 per cent of IFAD's project identification missions and 55 per cent of its project preparation missions. Collaboration between IFAD and United Nations system agencies has been equally high in project cofinancing. United Nations system agencies have contributed US$ 2,038,500,000 to IFAD-financed projects, representing 52 per cent of all external cofinancing. In terms of the number of projects cofinanced, IFAD's major United Nations system partners are the World Bank, UNDP and the World Food Programme (WFP). Sixty-six per cent of IFAD projects are supervised by cooperating institutions within the United Nations system. UNDP/Office for Project Services (OPS) supervises 73 projects and the World Bank (the International Development Association (IDA) and the International Bank for Reconstruction and Development (IBRD)) supervises 134.

86. United Nations system agencies have participated regularly and directly in IFAD's country programming exercises, and IFAD has organized a joint JCGP poverty analysis and strategy mission in Namibia. IFAD currently chairs the JCGP Subgroup on Structural Adjustment, which is in the process of developing a collaborative JCGP mechanism for assessing the impact of structural adjustment measures upon the poor and socially vulnerable, as well as establishing a country-level basis for JCGP contributions to policy dialogue on structural adjustment policies and their modification.

87. Recent initiatives taken by IFAD to strengthen its cooperation with agencies of the United Nations system included discussions with WFP on ways and means of integrating food aid into development projects to improve the spread of resources and a cooperation agreement concluded with the United Nations Population Fund (UNFPA) for collaborative programming in a number of priority countries. IFAD has assisted the World Bank in developing methodologies for assessing the impact of structural adjustment upon the rural poor and has drawn heavily upon United Nations system expertise and experience in developing its own major study on world rural poverty.

88. JCGP, as well as bilateral cooperation with selected agencies such as IFAD, is the principal means for World Food Programme (WFP) inter-agency

cooperation. From the perspective of WFP, food aid must be integrated as a development resource that can be used to overcome poverty in a sustainable and lasting way. JCGP at its high-level meeting on poverty therefore agreed that the challenge of poverty alleviation through food aid was not that of targeting per se but of providing a firm basis for lasting development. To this end, improved country-level coordination is vital and in this regard the resident coordinator can play an important role.

89. UNDP's involvement in JCGP, and in particular the activities of the JCGP Subgroup on Structural Adjustment, provides a major vehicle for joint activities with the funding agencies of the United Nations system.

90. The UNDP intercountry programme for the African region has supported the Social Dimensions of Adjustment Project during the fourth cycle. The project involved inter-agency collaboration aimed at integrating poverty concerns into the formulation and implementation of adjustment programmes.

91. Apart from participation in JCGP, UNFPA has undertaken joint activities with other agencies with regard to poverty alleviation: the Social Dimensions of Adjustment project is being carried out at the global level and the JCGP programmes and projects have been implemented in selected countries at the country level. Those programmes and projects, which draw upon the experience and technical support services of the World Bank, are implemented by the ministries of planning of the participating country Governments and executed by UNFPA in collaboration with the World Bank.

92. In its efforts for greater inter-agency cooperation on refugee/returnee assistance, UNHCR has concentrated on the following practical and operational objectives:

(a) Establishment of contacts and appointment of inter-agency focal points in cooperating agencies;

(b) Inclusion of refugee/returnee issues in the work programmes of individual organizations;

(c) Identification of areas of cooperation at sectoral and geographical levels;

(d) Establishment of joint refugee/returnee/displaced persons programme design and implementation arrangements;

(e) Inter-agency planning and programme support arrangements such as training, standardized programme classification and database systems.

93. In addition, the work on the guidelines on refugee assistance and development aid being promoted by UNHCR in CCSQ (OPS) has reached an advanced stage and will be finalized at its next session. It is expected that the guidelines will facilitate the planning and implementation of inter-agency developmental programmes to deal, for example, with issues such as income

generation, education, training, land tenure, rural development, women, children and environment in favour of refugees, returnees, displaced persons and host communities.

94. ILO collaborates with JCGP and takes part in its meetings and in selected country studies (for example, on the Gambia in 1991). It also participates in the inter-agency work on the design and preparation of social safety nets and World Bank-sponsored social funds meant to alleviate the social cost of structural adjustment, for example, through the promotion of labour-intensive development strategies. ILO is a convener of the Panel on People's Participation of the ACC Task Force on Rural Development. In this context, it organized the inter-agency publication of a collection of studies evaluating experiences of development programmes. 13/ It also collaborated as co-author on another ACC Task Force on Rural Development study on adjustment and development 14/ and joined with UNDP in preparing a study on the impact of macroeconomic policies on the rural poor. 15/ ILO has also been active in inter-agency work on poverty indicators. It prepared a paper for the ACC Subcommittee on Nutrition on indicators related to poverty, food and employment and has assisted the World Bank in the preparation of a handbook on the design of poverty-oriented projects.

95. FAO holds informal annual meetings with the IMF and with the World Bank to exchange information in the field of agricultural policy and to promote collaboration and coordination of assistance to countries undergoing structural adjustment programmes, with particular attention to the impact on the rural poor. FAO's country agricultural sector reviews also benefit from consultation with and technical documentation provided by the World Bank and the IMF. An internal mechanism for the promotion and coordination of Sector and Structural Adjustment Policy (SSAP) seeks, inter alia, to promote coordination within FAO and between FAO and other organizations of the United Nations system. In the context of structural adjustment programmes, FAO is providing countries with assistance in restructuring agricultural institutions in collaboration with the World Bank.

96. In its food security assistance activities FAO cooperates closely with the World Bank, both at the field level and in the methodological approach to be followed in the design of national food security policies and programmes.

97. FAO's Global Information and Early Warning System on Food and Agriculture maintains a channel of continuous information flow and cooperation with several related agencies in the United Nations system, including the Office of the United Nations Disaster Relief Coordinator (UNDRO), UNHCR, WMO, WHO and WFP. The system makes use of the data and information on country food situations provided regularly by WFP field staff, especially in countries without an FAO representative. The two organizations also jointly field the FAO/WFP Crop and Food Supply Assessment Missions, which are sent to countries facing difficulties to assess the magnitude of the problem and the most appropriate response.

98. The main inter-agency coordinating mechanisms in the nutrition field in which FAO plays an active role are (a) the ACC Subcommittee on Nutrition (whose membership includes FAO, IBRD, ILO, the United Nations, UNDP, UNHCR, UNICEF, the United Nations University (UNU), WFC, WFP and WHO), which is assisted by the Advisory Group on Nutrition (AGN); (b) the International Conference on Nutrition, which is being organized by FAO and WHO in cooperation with other members of the Subcommittee and will be held in Rome in December 1992; and (c) the inter-agency Food and Nutrition Surveillance Programme (IFNS) in which FAO, WHO and UNICEF collaborate in providing support for national programmes for nutrition surveillance.

99. Coordination and cooperation between the World Meteorological Organization (WMO) and FAO (agricultural meteorology); WMO and UNEP (meteorological-climatological environmental matters); WMO, UNDRO and the International Decade for Natural Disaster Reduction (IDNDR) (mitigation of the adverse effects of severe weather); and WMO and the International Civil Aviation Organization (ICAO) (aviation safety and the economical use of commercial aircraft) are but a few examples of close work between other specialized agencies of the United Nations system.

100. ITU's biggest project on rural development is the Regional African Satellite Communications System (RASCOM) for the development of Africa. The project enjoys the cooperation of four United Nations bodies (ECA, UNESCO, UNDP and ITU) as well as that of six African intergovernmental organizations. The project targets the rural and isolated areas of Africa (and consequently the poor).

101. The Department of Economic and Social Development of the United Nations Secretariat expects to play a greater inter-agency role in the UNDP/World Bank/African Development Bank Social Dimensions of Adjustment (SDA) programme through the cooperating agency medium with Governments. (It has recently concluded one such agreement with the Government of Tanzania for the government-executed SDA project.)

102. ECLAC has carried out its work related to poverty alleviation often together, and/or in close coordination, with other organizations of the United Nations, such as UNESCO, the World Bank, the United Nations Sudano-Sahelian Office (UNSO), the Centre for Social Development and Humanitarian Affairs (CSDHA), UNICEF, UNDP and UNFPA, as well as other specialized agencies.

103. In recent years, ECLAC has executed substantive parts of UNDP's regional project on eradication of extreme poverty in Latin America and the Caribbean and worked together with UNICEF in monitoring the goals of the World Summit for Children, with UNFPA on poverty-related questions of demography and the census (for example, household surveys) and with other organizations on the situation of women, youth and other vulnerable groups on which Governments wish to put special emphasis, as well as in related subject areas such as education, job training, health, poverty-related social policies and land programmes, which have included those related to the social effects of structural adjustment programmes. The two conferences on poverty for Latin America and the Caribbean have been substantively supported by ECLAC.

104. Within the recently concluded UNDP-funded project, Improving the Role of African Women in the Informal Sector: Production and Management, the United Nations International Research and Training Institute for the Advancement of Women (INSTRAW) and the Statistical Office of the United Nations Secretariat carried out a methodological study on defining the informal sector and a step-by-step procedure of compiling statistics and indicators that would lead to estimates of women's contribution and participation in the informal sector.

III. CONCLUDING OBSERVATIONS AND RECOMMENDATIONS

105. As the brief review contained in section II above suggests, there seems to be a large and growing agreement among the organizations of the United Nations system on the broad approaches and strategies to be pursued for the alleviation and eradication of poverty and in the design and implementation of structural adjustment programmes. Moreover, a clear recognition exists of the necessity of enhancing the effectiveness and efficiency of delivery of assistance to developing countries. To this end, the need for collaborative and joint efforts in the design and implementation of programmes is widely recognized. There is also a generally shared concern about strengthening coordinated efforts for data collection and situation analysis and, to this end, for the development of country-specific indicators for the measurement of poverty trends. Finally, practically all the organizations of the system emphasize the critical importance of enhanced coordination at the country level under the leadership and with the full involvement of the Government concerned.

106. An analysis of the responses of various organizations of the system suggests that considerable efforts have been made in recent years to meet these needs. Consultations and cooperation between the financial institutions and other organizations of the system have intensified in the context of the formulation and implementation of anti-poverty strategies such as that of the World Bank as well as of adjustment programmes in the context of the Policy Framework Papers of the IMF. Nevertheless, there is clearly room for further strengthening of these processes of consultation in the follow-up of agreed approaches and strategies, especially at the country level.

107. The ACC Task Force on Rural Development provides a system-wide forum and instrument for cooperation and coordination in addressing the problem of rural poverty. JCGP has served as a valuable instrument in bringing together the principal United Nations funding agencies for policy dialogue and for the development of joint and harmonized programming in specific substantive areas such as poverty alleviation and structural adjustment. It has also facilitated consultation and dialogue between the JCGP agencies and other concerned organizations, including the World Bank and the IMF.

108. Apart from such formal mechanisms as the ACC Task Force on Rural Development, JCGP, inter-agency seminars and regional conferences on specific poverty-related issues, the agencies report extensive informal consultations, both at high levels and among substantive staff and experts, in developing

their policies and programmes. This results in clusters of cooperation among concerned agencies on poverty alleviation projects in specific sectors or subject areas such as food and agriculture, rural development, human resources development, infrastructure, drug control and refugees and displaced persons.

109. Despite all these efforts, however, considerable problems and gaps still remain. While there is broad agreement on the principal elements of strategies and approaches to poverty alleviation and eradication, there is no overall system-wide anti-poverty strategy or plan such as exists in the areas of women, drugs and environment. While the difficulties of developing a system-wide plan on such a diffused theme as poverty are recognized, there is nevertheless a need to develop in some form a coherent system-wide framework for action in the area of poverty eradication. Secondly, while the Task Force on Rural Development has been paying continuous attention to the problem of rural poverty, there is no direct mechanism for addressing the broad subject of poverty on a system-wide basis. Apart from reaffirming the lead role of the ACC Task Force on Rural Development, there is also a need for strengthening the mechanisms for inter-agency coordination and cooperation that already exist in this area, for strengthening their mandates as necessary and for ensuring their coverage of the whole range of issues related to poverty.

110. Given that present and prospective resources devoted to poverty alleviation and eradication programmes at the national and international levels are clearly inadequate, the efficiency of programme delivery will be critical to success. Furthermore, there is considerable scope for a better allocation of available resources - national and bilateral as well as multilateral. The United Nations system can promote this objective through its own example as well as through its advocacy role.

111. A key element in improving the effectiveness of external assistance is reaching consensus on the approach to poverty reduction at the country level. Cooperative work, for example, on poverty assessments and human development assessments, and the background data collection and analysis, will enhance the quality of development assistance agencies' advice in developing country strategies. Most importantly, such cooperation should ensure that external assistance supports countries in more effective policies for poverty reduction and that the volume and composition of assistance are also consistent with this goal. It should also lead to collaborative country assistance strategies in which each development agency's programme is rationalized as part of a broader and consistent package of assistance and policy advice.

112. The encouraging results achieved by the JCGP and the World Bank in joint situation analysis with a focus on poverty in individual countries provides the basis for joint and harmonized programming and aid coordination. This could be extended as more experience is gained to cover a wider group of countries.

113. In this connection, the collection of accurate and up-to-date data and development of poverty indicators is of vital importance. Despite significant

progress made and initiatives taken by several organizations in recent years important gaps remain and there is need for well-coordinated approaches. In this regard, consideration should be given to the suggestion for a high-level inter-agency meeting to devise common understandings and approaches towards a set of social indicators that could be used for data collection by the system as a whole and that all agencies would have access to.

114. Consultative groups or aid consortia can provide an opportunity for a full discussion of government strategy and development agency responses for poverty reduction, ideally based on reports (such as poverty assessments) jointly prepared by the Government concerned and the Bank and other agencies within the United Nations system. Coordination could be facilitated by the appointment of poverty coordinators in each agency of the United Nations system to serve as a contact on poverty issues.

115. The need at the country level is to optimize the use of the limited resources made available by the United Nations system. Problems arise owing not only to the different mandates of various agencies, but also to the different time-frame of governmental and agency programming cycles. Inter-agency coordination should address at the country level the issue of critical poverty, involving the conduct of specific studies and the formulation, in close cooperation with the Government concerned, of coordinated programmes of action aimed at providing the required United Nations system response to country-specific needs.

116. In this regard, positive gains can be made by strengthening the role of the resident coordinator and by adopting a multilateral team approach led by the Resident Coordinator with the participation of all interested agencies. A better harmonization of programmes and projects of the United Nations system with recipient government plans and programmes could enhance significantly the efficiency of delivery. The provision for poverty alleviation in the country programmes should specify its operational linkages with sectoral development programmes and projects.

117. Coordination and cooperation among agencies of the United Nations system at the field level can be greatly facilitated if their counterparts in Government have a clear and coordinated approach to poverty eradication and the role of relevant ministries/departments is clearly defined in promoting urban and rural programmes for poverty eradication. This situation does not exist, however, in many instances; thus, the task of coordination is complicated. Where national capabilities and institutions are relatively advanced, interministerial mechanisms can be helpful in harmonizing governmental policies, programmes and projects, but in other cases the need for external support and assistance for building institutional capacity across a broad spectrum, at the national, regional and local level, becomes evident. This calls for coordinated technical assistance by the United Nations system to enhance the planning and coordinating capacity of the host Government.

Notes

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3/ International Fund for Agricultural Development, "The state of world rural poverty: an inquiry into the causes and consequences", a foreward by Idriss Jazairy, president of IFAD.

4/ World Bank, World Development Report, 1990: Poverty (New York, Oxford University Press, 1990), table 2.1, p. 29.

5/ Ibid., p. 28.

6/ ECLAC, Magnitud de la pobreza en América Latina en los años ochenta (LC/L.533, Santiago, May 1990), p. 67.

7/ International Labour Organisation, World Labour Report, 1989, vol. 4 (Geneva, 1989), table. 1.9.

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11/ World Conservation Union (IUCN), United Nations Environment Programme and World Wide Fund for Nature (WWF), Caring for the Earth: A Strategy for Sustainable Living (Gland, Switzerland, October 1991).

12/ World Bank, Poverty Reduction Handbook: an Operational Directive, Washington, D.C., 1992.

13/ International Labour Organisation, Projects with People, Geneva, 1991.

14/ United Nations Development Programme, Development and Adjustment, Stabilization, Structural Adjustment and UNDP Policy 1989, United Nations publication (Sales No. E.89.III.B.4).

15/ Jean-Paul Azam and others, "The impact of macroeconomic policies on the rural poor", United Nations Development Programme policy discussion paper (United Nations publication, Sales No. E.89.III.B.5).